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NEWS SUMMARY

GENERAL

Iran to free Britons 'soon'

The four Britons held in Iran since last August will be freed soon, President Abolhassan Bani-Sadr said yesterday.

"I was shown a document today signed by the revolutionary prosecutor which shows they are not spies . . . certainly they will free them," he said.

The Archbishop of Canterbury's envoy, Mr. Terry Waite, who visited Iran at Christmas, returned on Friday for more talks.

Swedish and British diplomats met the four and said they seemed in excellent health.

An Iranian prison official said U.S. freelance journalist Cynthia Dwyer, held since last May and convicted of espionage, will probably be deported today.

Labour break

Resignations from the Labour whip by Council for Social Democracy supporters could be brought forward to next month. Back Page

Fish picket

North Shields fishermen laid off on Saturday in protest at cheap fish imports picketed the fish market to stop sales today.

Soccer fans die

Eighteen Greek soccer fans died and 25 were injured in a stampede after Piraeus Olympiakos beat AEK 6-0.

'A simple man'

Exiled Ugandan dictator Idi Amin, describing himself as a simple human being and devoted homemaker, appealed to [illegible] to the U.S. to educate his 22 children.

Ugandans shot

Tension in Kampala, Uganda, increased with the shooting of three men and a gun attack on an opposition leader's house.

Israel takes land

Israeli military authorities said they seized about 2,500 acres near Nablus in the occupied West Bank to add to a Jewish settlement.

Laos attack claim

Two Mekong River border crossings in Nong Khai province were closed after Laotian troops resumed firing on a village, Radio Thailand reported.

Storm death suit

The widow of a Massachusetts fisherman lost at sea in a storm filed a suit alleging that the government weather service was responsible by issuing a faulty forecast.

Delay sought

Joanna Harris, a poultry inspector for Sandwell, West Midlands, council, asked for time to meet Employment Secretary James Prior before deciding whether to join a union or be sacked.

Play goes on

Staff at Cumbernauld Theatre near Glasgow raised £1,500 to take The Caretaker to the city.

No sluggards

A group of Durham slug enthusiasts who say slug watching could soon rival bird spotting in popularity published a guide to recognising the 30 species in Britain.

Briefly . . .

Bristol bus services were halted after busmen were suspended for refusing to charge higher fares.

Death toll in the Bangalore, India, circus fire rose to 68.

Rescue teams found the body of a potholer missing in County Fermanagh since Saturday

BUSINESS

Forecasts agree on end of recession

● THE RECESSION should bottom in the next nine months, but recovery will be sluggish, and unemployment will keep rising, leading economic forecasters agree. Back Page; details Page 5

● PUBLIC SECTOR borrowing requirement is likely to be at least £11bn to £12bn in 1981-82, about 50 per cent above the Government's implied target, according to latest City forecasts. Page 4

● GILTS trading on the proposed London financial futures market would help stabilise interst rates, says an article in the National Westminster Bank Review. Page 4

● *THE CBI is calling for* a Parliamentary Select Committee to monitor Government policy on small businesses. Page 4

● EEC talks on butter imports and a common fisheries policy are likely to be strained by joint Franco-German pressure. Back Page. Community agriculture director-general Claude Villain claimed some Commissioners want to destroy the Common Agriculture Policy. Page 2

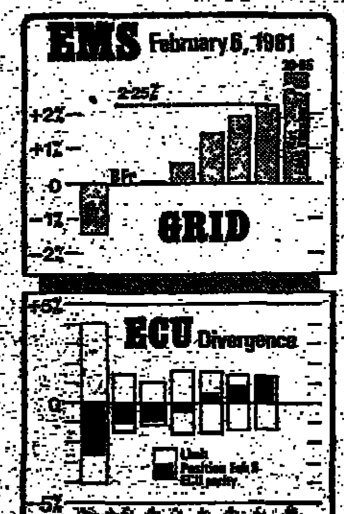
● COMMERCIAL VEHICLE sales last month were the lowest since January 1970. Imports took 30.63 per cent of the market. Back Page

● CIVIL ENGINEERING *companies* report increasing unemployment although order books are *falling less sharply.* Page 4

● DIAMOND INDUSTRIES of the U.S. bought 14.9 per cent of loss-making Howard Machinery in a market raid just before business officially closed on Friday. Page 16

● PRESSURE built up within the European Monetary System *last week, as the French franc* touched its upper intervention limit against the D-Mark and Belgian franc. Central banks intervened to keep member currencies within the agreed terms, and also sold dollars as the appreciation of the U.S. currency threatened to increase the strains within the system.

The Dutch guilder remained the second strongest member of the EMS, following the French franc, and the Belgian franc finished as the second weakest, ahead of the lira. Belgian interest rates firmed, while the Government's austerity measures to combat growing economic problems caused considerable industrial unrest.



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

CONTENTS

Government to delay MLR decision until eve of Budget

BY OUR ECONOMICS CORRESPONDENT

THE GOVERNMENT has decided in principle to delay any decision on Minimum Lending Rate until the eve of the Budget.

This will allow time for evidence of a further month's banking figures to confirm recent suggestions of easing monetary pressure. It will also ensure that any decision is consistent with the findings of a major review of the management of monetary policy now in progress in Whitehall.

It is hoped that for the time being the Government's public statement of its wish to reduce interest rates as soon as possible, reinforced by the downward trend of commercial rates in the money markets, has been enough to halt the strong upward pressure on the exchange rate which was evident until a week ago.

Renewed sterling pressure could bring the decision forward.

The main object of the pre-Budget monetary review is to decide how decisions about short-term interest rates should be taken in future.

There is a widespread feeling that *the broadly-defined money* supply, sterling M3, while it would almost certainly remain the object of the medium-term strategy, responds too slowly to short-term policy changes to provide a reliable guide to current credit conditions.

A new system might involve a wider range of indicators, including the narrower measures of money and the exchange rate, while some highly-placed advisers are urging a more radical change, aimed to control the cash-base of the banking system rather than the broader monetary aggregates.

Under such a system changes in interest rates might become *largely automatic, resulting* from official transactions aimed to control the monetary base.

Lombard: A monetary trap for Thatcher, by Samuel Brittan. Page 12

The Bank of England statement of November 24 envisaged the possibility that "the Bank might cease to announce a minimum lending rate at some stage."

But there is concern in Government quarters about allowing the Bank either complete discretion in setting the rates or in making an over-hasty move to a "monetary-base" system which would not, in fact, in*fluence the wider aggregates* most important for the long-term movements of prices and national income.

A strategy embracing both the monetary base and the broad money supply would involve radical changes in methods of selling Government debt, an area where progress has been slow.

The acid test of the Government's continued adherence to its medium-term financial strategy will be the Chancellor's decision on how far to take the over-run in 1980-81 into account in setting his new monetary targets. This seemingly technical question conceals funda*mental policy issues.*

One school of thought being pressed on the Prime Minister is that monetary policy has been much more severe than the indicators show and has been responsible for the rise

There are few advocates of an exchange rate target as such but some advisers favour an "over ride," providing monetary targets would be set aside if sterling moved outside prescribed limits.

Sceptics fear it will be difficult *to establish credibility.* The market may be ready enough to believe that monetary policy will be loosened if sterling rises but it will be much less ready to believe monetary policy will be tightened if sterling moves below the prescribed rate.

Behind all the discussions on sterling is the spectre of the Finance Ministers in many countries who have many times failed to talk the exchange rate up or down.

Cabinet agrees £5bn aid for BSC

By Richard Evans and Hazel Duffy

A CABINET decision to approve an aid package for the British Steel Corporation of more than £5bn is to be announced this week by Sir Keith Joseph, the Industry Secretary.

An announcement *in the* Commons will come probably on Wednesday. The decision was reached after a brief discussion at Cabinet last Thursday by Ministers who believe they have no alternative to accepting the corporate plan submitted last December by Sir Ian MacGregor, BSC chairman. It is certain to lead to angry protests from many Conservative MPs and from private steel producers.

The package, one of the most difficult political judgments made by Mrs. Thatchers' administration, will be implemented in a Bill this session which will write off £3.7bn of accumulated corporation debts and provide substantial aid over the next two years.

As part of his plan, Mr. MacGregor has asked for £750m to maintain BSC production this year and for more aid to cover losses in the next financial year. In return a firm target will be *set for BSC to become* profitable by the end of the 1982-83 financial year. This will be achieved in part by the loss of a further 22,000 jobs.

Sir Keith hopes to announce at the same time the degree of progress made on the rationalisation of the private and State-owned sectors of the industry, but this will depend on developments i n further discussions early this week.

It would help Sir Keith's delicate *political task if* he could say that agreement has been reached on rationalisation of steel bar and rod production between BSC and Guest Keen and Nettleford — the so-called Phoenix 1 project.

Meanwhile, talks are to continue today between Duport, the private sector steel and engineering company, and BSC and Department of Industry officials in an attempt to preserve some of its steelmaking activities. *Ministers* are so far unclear how much Sir Keith will be able to say either on Duport or the Phoenix project.

Duport is the most seriously affected of the four private steel companies involved in the projected Phoenix 2 scheme. The company, which has major plants in the West Midlands and in Llanelli, South Wales, has been forced into heavy losses by severe overcapacity, aggres-

Continued on Back Page

Fyffes reaches independent pay deal for seamen

BY PAULINE CLARK, LABOUR STAFF

FYFFES GROUP, the banana shippers, last night agreed an independent pay deal with the National Union of Seamen believed to be worth about 14 per cent as hopes faded of an early national solution to the prolonged pay dispute between seamen and British shipowners.

The settlement could expose the company to expulsion from the General Council of British Shipping for breaching its national 12 per cent policy. It came only hours after the breakdown of talks between the union *and national employers at the* offices of the Advisory Conciliation and Arbitration Service this weekend.

In spite of several consiliatory moves by the GCBS, including an offer of arbitration to end industrial action by seamen, the union appeared yesterday to be hardening its stance in its battle for overtime rates at time and a-half.

The union executive will meet next Wednesday for the first time in three weeks to look at the shipowners' new offer to go to arbitration.

Mr. Jim Slater, general secretary of the NUS, has previously suggested arbitration as a way out of the deadlock. But he made clear yesterday that *his attitude had significantly* changed to one of no compromise over the union's central demands.

"After four weeks of industrial action, our members have the upper hand and I doubt if *the mandate we had earlier* to seek arbitration stands up now," he said.

The seamen's action, which has disrupted British shipping worldwide, is in its fifth week. The union's disputes committee met yesterday to lay plans for toughening up its strike strategy and considered calls for action to be extended to North Sea supply vessels. It predicts "a flood" of companies seeking breakaway settlements with the union this week.

The Fyffes deal was received as an important coup in the union's strategy to break the GCBS front. It follows a 14 to 16 per cent deal with Canadian Pacific two weeks ago, which withdrew from the GCBS under threat of expulsion, and a deal between Townsend Thoresen and Southampton ferrymen last week. The council said it was worth 12 per cent but the union argued that it worked out at 14 per cent if applied to deep-sea ratings on *non-consolidated* pay rates.

Mr. Roderick MacLeod, chief negotiator for the GCBS, said yesterday the council had offered arbitration in the face of the union's refusal either to consider a restructured 12 per *cent offer or a proposal* to phase introduction of time and a half over two years. The full demand would involve overall increases averaging 19½ per cent, which simply could not be afforded.

Solidarity launches talks to avert strikes in south

BY CHRISTOPHER BOBINSKI IN WARSAW

TALKS STARTED yesterday *afternoon between the* Government delegation and representatives of Solidarity, the independtnt union, in Jelenia Gora, south-western Poland, in a last-minute bid to avert a general strike in the area, fixed *to start* today.

The negotiations came after a two-hour meeting there of the Solidarity leadership under the chairmanship of Mr. Lech Walesa, the union head. The leadership aims at finding ways of defusing tension there, and resolving the conflict.

The regional branch of Solidarity in Jelenia Gora has already won dismissal of local government officials accused of corruption. The remaining points at issue are demands that a sanatorium being built for the Interior Ministry be turned over to the general public; and full payment for workers on a *strike earlier last month.*

The talks are on the eve of an important two-day meeting of the Polish Communist Party Central Committee, which will review the present policy of no concessions to Solidarity and also the situation inside the Party.

Moderates in the leadership are arguing that the present intransigent policies are proving counter-productive, and that rank-and-file demands for more democracy within the party must be respected if mass desertions are to be avoided.

The Central Committee meeting will be followed by a Parliamentary session devoted to discussing this year's economic plan. The session gives the Polish leadership an opportunity to reshuffle the Cabinet in an attempt to put the blame for lack of progress in resolving Poland's crises to the Govern*ment administration.*

This week's meetings take place against a background of a renewed chorus of criticism in the Soviet and East European Press on developments in Poland which reflect fears in Moscow that the Polish leadership will falter in its hardline policy both within the Party and toward Solidarity.

The Soviet Party Congress begins on February 23. There Mr. Brezhnev will have to take a stand on the situation in Poland.

Next Tuesday the Polish High Court will rule on whether the 3.5m private farmers have a right to form their own union.

Judging by the outright opposition expressed by Mr. *Stanislaw Kania, the Party* leader, to the idea it seems clear that the High Court decision will be negative.

Unions press Murdoch

BY JOHN LLOYD, LABOUR CORRESPONDENT

MR. RUPERT MURDOCH's aim of owning Times Newspapers by the end of this week will be achieved only if he makes substantial concessions today in the demands he has made of the print unions, union leaders said last night.

Both sides appear more prepared than previously to make concessions as this Thursday's deadline approaches. The general secretaries of the five print unions meet Mr. Murdoch's negotiators for a second time today.

Mr. Bill O'Neill, one of the two negotiators, at the weekend said all his demands were fully negotiable. "If we don't get agreement by Thursday I don't suppose we ever will."

The areas of compromise which emerged over the weekend are:

● Manning cuts of about 1,000 have been demanded, reducing the staff to about 3,200. The unions might settle for a level between 3,500 and 3,750, if all redundancies were voluntary.

● A disciplinary clause which penalises all workers after the third day of an unofficial strike has been tabled. The unions will respond today with a clause without any penalties, but could compromise on one which would stop pay to those directly *involved in unofficial action.*

● A wage freeze until October 1982 has been rejected, but one lasting only one year, or a low settlement, might be considered.

● The transfer of the supplements to a provincial printing *plant, an early Murdoch* demand, might win union agreement later in the year if and when mid-week printing begins on the Sunday Times. Mr. Murdoch has said he wants this, and it will create more jobs.

Mr. Les Dixon, president of the National Graphical Association, said last night: "I would be hopeful that Mr. Murdoch would bend."

Murdoch negotiator's views. Page 6

Gas gathering project delayed

BY SUE CAMERON

DISAGREEMENT between two UK State-owned energy companies as well as problems over stringent financial terms are delaying the £2bn North Sea gas-gathering project and jeopardising Britain's chances of securing Norwegian co-operation.

The UK Government is keen for Norwegian gas from the huge Statfjord field to go through the pipeline, thus making the entire project more attractive commercially, technically and economically. But Ministers are believed to be concerned *that lengthy delays could* severely damage hopes of Norwegian participation. There is also evidence that the organisation of the gas gathering system is going far from smoothly.

The British banking consortium which is working on a £700m unsecured loan for the project is expected to insist on tough conditions which are almost certain to provoke strong opposition from a number of major oil companies.

It is thought the banks—headed by the Bank of Scotland—want an assurance from the UK Government that all gas from fields developed over the next decade or so will go through the pipeline. This could lead to millions of cubic feet of daily capacity in the existing Brent and Frigg gas lines being wasted during the late 1980s. The banks want a Government undertaking that there will be no unnecessary flaring of gas and no alternative gas pipelines built. In addition the gas must be landed in the UK.

Meanwhile, the British Gas Corporation and the *British* National Oil Corporation are understood to be battling for control of the supplies of ethane —one of the gas liquids that will be carried ashore through the line and used as a raw material *for making petrochemicals.*

Mr. Ian Clark, chairman of BNOC Trading, said at the weekend that the relationship between the State oil group and British Gas was "cordial" and he insisted that discussions about the disposal of the gas liquids were "progressing satisfactorily."

But it *is* thought British Gas is trying to insist that it should take charge of the ethane for technical reasons—in spite of BNOC claims that it has a mandate from the Government to be the major trader in all the gas liquids—including ethane—which will come through the new line.

One of the petrochemical companies which has expressed an interest in buying ethane said yesterday it could not find out which corporation it should *approach for supplies.* That chemical concern said the situation was "like dealing with a wet sponge."

Last week Mr. David Howell, the UK Energy Secretary, flew to Norway for talks with the *country's energy ministers.* He made strong attempts to reassure the Norwegian Government that the UK pipeline was going ahead on schedule. He also stressed that Britain was prepared to be flexible

Editorial Comment Page 14

Spending targets anger counties

BY ROBIN PAULEY

ANOTHER row *is* brewing between the Government and the local authorities. This time the leaders of England's 39 shire county councils, all but one of which is Conservative controlled, are angry over new spending targets which have changed them all from underspenders into substantial overspenders facing penalties.

Most shire counties have been kindly *treated* under the Government's block grant system of distributing money to councils. It is helping some to keep their rate rises below 10 per cent for 1981-82. The county rate is levied as a precept through the district councils, and ratepayers pay both sums together as one rate bill.

Counties are mainly planning to spend less—often mil*lions of pounds less—than the* Government's assessment of the amount they need to spend to provide a standard level of service. This centrally determined figure—the Grant Related Expenditure (GRE)—has been used as the basis of calculating how much grant each council can claim and at which expenditure level the amount of grant begins to taper off.

The problems, which is setting some of the Government's most loyal supporters against it yet again, has arisen because Mr. Michael Heseltine, Environment Secretary, has announced a new target, expressed in *volume terms, for* 1981-82 expenditure plans which contradicts the GRE.

The target requires the volume of 1981-82 planned expenditure to be 5.6 per cent below 1978-79 outturn expenditure. Few, if any, county councils in England are likely to achieve this target. Some are so angry they do not intend to try.

The volume target is most easily met by councils which

Continued on Back Page

OVERSEAS NEWS

Non-aligned anger over India's draft for talks

BY DAVID DODWELL AND K. K. SHARMA IN NEW DELHI

MRS. INDIRA GANDHI's Government has spent a troubled weekend struggling in vain to resolve fundamental and sometimes bitter disagreements among the many countries assembling for the non-aligned Foreign Ministers' conference, which opens in New Delhi today.

Differences of opinion on major issues facing the conference—the presence of foreign occupation forces in Kampuchea and Afghanistan, the Iran-Iraq war and the military build-up in the Indian Ocean—are so great that there are growing fears the differences will prove irreconcilable.

The clashes that are almost certain to take place in the week ahead are likely to damage the prestige of India among its fellow non-aligned nations. This is not only because of its role as host to the conference, but also because of its refusal to condemn the Soviet invasion of Afghanistan and because of its diplomatic recognition of the Vietnamese - sponsored Heng Samrin regime in Kampuchea.

India's draft declaration, which was put before officials in advance of the ministerial conference, aroused a hostile reaction from numerous important groups.

On Kampuchea, failure to call for withdrawal of Vietnamese troops prompted swift reaction from Singapore and other members of the Association of South East Asian Nations (ASEAN).

Pakistan, which had won strong backing in both the UN General Assembly in November and at the Islamic Conference last month for its demand for the withdrawal of foreign troops from Afghanistan, was angry when it found that the Indian draft called only for non-interference by outside countries in Afghanistan's internal affairs.

Mrs. Gandhi: U.S. named but Russia omitted

In the draft on the military build-up in the Indian Ocean, members found India demanding specific criticism of the United States for establishing a military base in Diego Garcia. They were annoyed to find India, at the same time, blocking attempts to mention either the Soviet Union or Vietnam by name in the drafts on Afghanistan and Kampuchea.

A rumoured mission to Iran by members of the Islamic movement in a fresh attempt to end the war between Iran and Iraq implies that the Islamic countries have scant confidence in the non-aligned movement's ability to intervene usefully in the conflict.

Calls to expel Egypt, Iraq and Afghanistan from the movement are also possible in the days to come and would foment fresh controversy.

Mr. Agha Shahi, Pakistan's Foreign Minister, discussed his difference of opinion on Afghanistan in a call on Mr. P. V. Narasimha Rao, his Indian counterpart. Shortly after flying into New Delhi yesterday, there was no indication that either side was willing to compromise at this stage.

Anthony McDermott reports from Cairo: Egypt is confident that it can survive any attempt at Delhi meeting to have it excluded from the non-aligned movement. Dr. Butros Ghali, Egyptian Minister of State for Foreign Affairs and leader of the Egyptian delegation to New Delhi, said here that Egypt's exclusion would set "a very dangerous precedent."

Durban hunt for ANC

BY QUENTIN PEEL IN JOHANNESBURG

SOUTH AFRICAN police have launched a big manhunt in Durban for members of the banned African National Congress who may have been responsible for a bomb blast in the city centre at the weekend.

The bomb, which was left in a dustbin, shaterred shop fronts and office windows in a normally busy street, but only two people were hurt.

Maj.-Gen. Johann Coetzee, chief of the South African security police, said his men were investigating the possibility that the bomb was in retaliation for the South African raid on houses belonging to the ANC in Mozambique 10 days ago.

Spending of £10.6bn for Israel

By David Lennon in Tel Aviv

ISRAEL'S CABINET yesterday approved Sh 206bn (£10.6bn) expenditure for the 1981-82 financial year which is designed to maintain the current level of activity in the economy and reduce inflation to a monthly rate of 5 or 6 per cent.

As in the current budget, spending is divided into three main parts, a third for defence, a third for debt servicing and repayment, and the remainder for other government activities.

Mr. Yoram Aridor, the new Finance Minister, rejected pleas by the army general staff to increase the defence allocation. At a special meeting at the Defence Ministry on Friday the army failed to convince him that the pared down defence budget proposed by his predecessor, who resigned last month, would be insufficient to cover both training and weapons development.

The budget is approximately the same size in real terms as the current budget, but because of the high rate of inflation it is nominally 120 per cent larger than the 1980-81 fiscal year.

It is based on the assumption that the inflation rate will be reduced to below 100 per cent and that the shekel will be devalued from the current rate of Sh 8 to the dollar to some Sh 15 or Sh 16 to the dollar by April, 1982.

The Cabinet also approves a supplementary budget of Sh 7bn for the current financial year. This is the third this year and brings the 1980-81 budget total to Sh 97bn.

Meanwhile, officials have reported that recent messages from President Anwar Sadat of Egypt to Mr. Menahem Begin, Isreal's Prime Minister, showed that the Egyptian leader believed agreement could be reached this year on autonomy for the Palestinians.

REFORM OF THE CAP

Official lashes EEC Commissioners

BY JOHN WYLES IN BRUSSELS

GROWING tensions within the European Commission over its farm price strategy have surfaced with a rare public attack on some members of the Commission by its most senior official in charge of agriculture.

M. Claude Villain, the Commission's director-general for agriculture, claimed that a few Commissioners "do not have it in mind to reform the Common Agricultural Policy (CAP), but to destroy it."

These remarks, made in an interview with the Financial Times, will be seen as a rare, if not unprecedented public attack by an official on some of the Commission's political leaders. Although undeniably controversial in practice, the principles of the CAP are still so much part of EEC theology that to aim for their destruction is generally held to be as unpardonable as plotting to end the Community itself.

But M. Villain has been stung by some reactions to the farm price proposals presented to the Commission last Wednesday by his new Agriculture Commissioner, Mr. Poul Dalsager.

If they are adopted when the Commission takes its final decisions this Friday, EEC Governments will be urged to support average 8 per cent price rises for farmers. In a full year this might add about £665m to the Community's hard pressed budget.

Criticism has come mainly from British and Italian Commissioners, although others have pointed to various shortcomings. Broadly, the fear is that unless more radical economies are attached to the proposals, then the total farm package will be more than the budget should bear by the time EEC farm Ministers have added their usual extra percentage or two to the proposed price rises.

M. Villain claims that the proposals are far from conservative and are built on the "revolutionary" principle of co-responsibility. This means taxing producers so that they pay the full cost of disposing of surplus production above certain levels. For the last two or three years, dairy and sugar producers have been required to make such contributions.

Broader application of co-responsibility taxes would continue the slowdown in the rate of growth of CAP spending which began last year, said M. Villain. The drop is from around 25 per cent per annum to 10-12 per cent.

The director-general was confident the Commission would endorse the proposals and added that there was no alternative to this gradual approach. If more financing of the CAP was passed from the EEC budget back to national governments, then the policy itself would be destroyed and possibly the Community with it, he claimed.

M. Villain and his supporters are having to fight more strenuously for their views this year than in recent times. The death last month of Mr. Finn Olav Gundelach has removed from the scene an immensely powerful Agriculture Commissioner and given other Commissioners more opportunity than before to influence CAP policy development.

Lisbon acts on electricity emergency

BY DIANA SMITH IN LISBON

PORTUGAL'S Government yesterday introduced sweeping emergency laws to help the country face a critical shortage of electrical power resulting from the worst drought for 30 years.

Major reservoirs used for the production of hydro-electric power now stand at 46 per cent of their normal capacity at this time of the year, normally Portugal's wettest.

Emergency electricity supplies from France to meet the shortfall are costing $20m a month—which Sr. Baiao Horta, Portugal's Industry and Energy Minister, says the nation cannot bear for much longer.

Other domestic sources of energy in Portugal—smaller dams, and coal, lignite, or oil-fired stations—cannot meet the country's needs. With no end in sight to the drought, immediate power cuts are unavoidable and may soon have to extend up to six hours a day, with grave effects on industry and business.

The potential threat to Portugal's industry was already evident 10 days ago when the Government asked companies to cut their electricity consumption by 25 per cent and municipal authorities to reduce their street lighting hours.

Yesterday's new measures have cut the country's overall voltage by 5 per cent and placed a ban on all illuminated public advertising and lighting on the fronts of shops, theatres, cinemas and public monuments.

Sr. Horta announced that failure to comply with any laws would incur the cut-off of all power for any offender. He also urged municipalities to reduce further the duration of their street lighting and lower its voltage to "the minimum required for the safety of persons and property."

Also the national television network, RTP, must now end daily transmissions at 11 pm—an hour earlier than weekday close-down, and up to two hours earlier than Saturdays.

Sr. Horta indicated that, if citizens co-operate with these measures, some strains on supplies could be alleviated. But, he warned, a severe frost in France or damage to transmission lines in Spain, over which imported electricity travels, could produce a grave crisis.

The risk of long power cuts if weather forecasts are accurate so worries the Government that Sr. Horta has asked management and unions to begin talks immediately to reach an understanding that will prevent large-scale lay-offs.

The authorities are concerned that less profitable companies may use eventual power cuts as an excuse to sack large numbers of workers. Unemployment is now about 10 per cent of the 4m labour force, with the worst impact on relatively unskilled female workers.

The effects of the drought on agriculture are also causing concern. Many crops have not even been planted.

Even in a good year, Portugal imports more than 50 per cent of its foodstuffs. This year, imports are bound to soar, placing worse strains on a trade balance that slid into a $1.5bn deficit in 1980 because of oil prices.

Right wing sways Spanish party conference

BY ROBERT GRAHAM IN MADRID

AFTER TWO days of frequently bitter debate, Spain's ruling Union of the Democratic Centre has so far failed to overcome internal differences. Indeed the party's second congress in Palma has exposed the divisions more clearly than ever.

The congress hall was clearly divided between two factions yesterday. The majority, comprising some 1,200 delegates supported the centrist line of the outgoing Prime Minister, Sr. Adolfo Suarez, and his allies. The other group, representing about 650 delegates, supported the more Right-wing and Catholic line of the Speaker of Parliament, Sr. Landellino Lavilla.

Although the latter group, known as the "critical" section, failed to get its way on a resolution over the composition of the executive committee, it has carried a great deal of weight at the conference.

The new executive of 35 is unlikely to include members of the "critical" group. But they have forced a general move to the Right over the past two days. This was most evident in a resolution dealing with divorce, when a form of wording was adopted rejecting "simple consent" as ground for granting divorce. This appeared to rewrite a proposal already approved by a parliamentary commission. The critical sector regards the divorce proposal as anti-church and far too progressive.

It seems likely that Sr. Leopoldo Calvo Sotelo, the outgoing Deputy Prime Minister in charge of Economic Affairs, will be endorsed by the congress as party leader. But it is not clear whether the Right will increase its presence in the Cabinet.

Friends of Sr. Suarez who resigned from the premiership two weeks ago, were saying yesterday that every effort would be made to ensure that there were minimal ministerial changes. The congress which was due to end last night is expected to continue today.

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CHINA'S CANCELLED CONTRACTS

Tokyo envoy to Peking for talks

BY CHARLES SMITH, IN TOKYO

JAPAN HAS decided to send its special trade representative, Dr. Saburo Okita, to Peking this week, to investigate the reasons for China's sudden decision to cancel some Y400bn (£813m) worth of plant export contracts.

Dr. Okita will tell the Chinese authorities that Japan takes a grave view of the situation created by the cancellations. He will not try to negotiate compensation agreements for individual projects, since this is regarded as the concern of individual companies involved.

His visit to China follows an announcement last week that Mr. Liu Hsia-hwe, a senior official of China's Technology Import Corporation, is to visit Tokyo later this month to discuss those problems that have arisen over the project cancellations.

Talks also have been undertaken between Schloemann-Siemag, the West German steel engineering concern, and Chinese officials in Peking over the future of the DM 1.3bn (£263m) steel rolling mill at Baoshan, near Shanghai.

China began postponing major Japanese plant construction projects at the end of 1980, but the situation assumed crisis proportions in recent weeks when telex messages instructing Japanese companies to stop work instantly on two major petrochemical complexes (worth over Y200bn) and a steel hot strip mill (Y85bn) were received in Tokyo.

The messages, despatched by China's Technology Import Corporation, said that "relevant authorities" had decided to halt work on the projects. No reason was given for the cancellations, but Japanese observers believe that they may reflect the outcome of a power struggle within the Chinese central Government.

Most of the Japanese contracts which have been postponed or terminated in the past few days were signed during 1978, a few months after the conclusion of a long-term trade agreement which called for a two-way exchange of $20bn worth of goods during the eight years up to 1985. The goods shipped by Japan were to consist of industrial plant and construction materials. China was to supply crude oil and coal in return.

The long-term trade agreement is now regarded as having virtually lapsed since China has had to cut back drastically on its oil shipments while simultaneously halting the import of Japanese plant. As a partial substitute for oil the Chinese have proposed stepping up the amount of coal to be purchased by Japan—to 10m tons by 1985. The value of any additional coal shipments, however, would not be enough to compensate for reduced oil supplies.

Money problems spark joint deal interest

BY COLINA MACDOUGALL

CHINA is broke, said Professor Jerome Cohen, director of East Asian People's Studies at Harvard university and concurrently consultant to the law firm Coudert Brothers in Peking. For that very reason, Peking is now more interested in joint ventures with foreigners, and at the same time it has begun to lay the foundation of a legal structure which will ease co-operation.

Prof. Cohen was speaking at a recent China seminar organised in London to shed light on tax and legal problems in China. "Make sure," he said, "that you and your Chinese partner are not like the couple in the traditional Peking maxim, 'sleeping in the same bed but dreaming different dreams'."

Quite a few joint ventures are currently in active negotiation. However, the Foreign Investment Control Commission, to which proposed deals must be submitted, has approved few. Problems have cropped up where there is a conflict of interest between provincial, central and local authorities. Sometimes there have been finance difficulties. Textile ventures have stuck on the question of access to China's export quotas.

Some talks are hamstrung because the Chinese still expect foreigners to pay wages 85 per cent of those in Hong Kong or South Korea. This is unreasonably high, but the State cannot be seen to be exploiting its workers.

The foreign partner in a venture still has no guarantee he can keep his efficient Chinese workmen — though he can fire the incompetent. Where there are Chinese managers (management is supposed to rotate between Chinese and foreign) it is far from clear how and what they must be paid.

On the legal side the picture has grown brighter since July, 1979. In the months since then China has published a substantial body of new law. Besides that, there are now in draft a contract law and patent law. Copyright law is expected in two to three years' time, Professor Cohen said.

This new body of law is smoothing co-operation. For instance, all contracts say profit can be repatriated according to the foreign exchange law. Earlier, this simply provoked questions. Then last December the foreign exchange regulations were published and the questions answered.

But the December, 1980, tax law and supplementary regulations beg many questions on the taxation of foreigners and their investment in China.

Prof. Cohen explained that tax rates were fairly clear, 30 per cent on joint venture projects, a 10 per cent remittance tax and a 10 per cent local surtax.

However, the Chinese have not said whether these rates apply to other forms of co-operation like processing and assembly agreements. Other implications, such as what happens to the income of a possible branch of the joint venture abroad, have not been considered.

Chinese law is still unclear about what is reinvestment. "If your joint venture retains some of its profit, is that reinvestment, or can you invest in another Chinese enterprise?" Prof. Cohen asked.

How tax liability is determined is still not clear but there are certain principles evident. Tax is at least on profit, so some expenses may be deducted. Some entertainment and straight-line depreciation are allowed. However, a balance sheet must be audited by "chartered public accountants," folk not yet known to exist in China.

EEC starts textile talks with U.S. today

BRUSSELS—The European Common Market and the U.S., their relations improved by President Reagan's decision to lift price controls on domestically produced oil, begin two days of trade talks today.

The EEC has long complained that the controls, which were lifted last month, gave U.S. textile producers an unfair advantage by ensuring them oil and gas supplies at prices below world levels.

Sir Roy Denman, EEC Director-General for External Affairs, who will lead the Community delegation, will press for the removal of price controls on gas as well, EEC officials said.

The meeting, the first between EEC officials and members of the new Reagan Administration, will centre on the textiles issue. The U.S. delegation will be headed by Mr. William Brock, President Reagan's trade representative.

UK group wins Portugal order

By Our World Trade Staff

W. S. ATKINS and Partners, with Profabril of Lisbon, has won a contract worth £5m for consultancy work at the major expansion programme, which Siderugia Nacional, the Portuguese integrated steel company, has under way at its Seixal works.

Atkins will be backed up by Estel, the German-Dutch steelmaking group, adding to the international flavour of the Portuguese expansion which has already drawn in Italimpianti, Voest-Alpine, Kawasaki and Schloemann-Siemag for the main plant contracts.

British-Saudi meetings signal improvement in economic links

BY PAUL CHEESERIGHT

MEETINGS of the UK-Saudi Arabia Joint Commission start in London today, accelerating the moves to a new bilateral cordiality following the breach last year consequent upon the showing on British television of the film, "Death of a Princess."

The Saudi delegation of 30, the biggest ever to visit the UK, is led by Shiekh Abdullah Ali Reza, the deputy minister for Foreign, Economic and Cultural Affairs.

Senior members of the delegation include Dr. Suleiman Al Hamdan, the deputy minister for Municipalities and Rural Affairs, and Mr. Abdul Mohsin Al Bashawri, vice-president of the Saudi Government Railroads Organisation.

The size of the delegation is seen in London as evidence that the Saudi authorities are anxious to breathe substance into the statement last August of Lord Carrington, the Foreign Secretary: "There were now no obstacles to the development of economic relations between the two countries."

That was the signal of reconciliation after a cool period of three months caused by Saudi resentment of at the showing of the television film, which held to be offensive.

The cool period had been characterised by the exclusion of British companies from the bid lists of official agencies, the biggest source in the Kingdom of new contracts.

Lord Carrington

"No obstacles to development"

Despite this British exports did increase last year to £1.05bn from £894m in 1979. But the trade gap widened in Saudi Arabia's favour as UK imports rose to £1.9bn from £1.1bn, reflecting mainly oil purchases as other sources became more vulnerable.

The UK is in fact the fourth largest supplier to Saudi Arabia, with about 10 per cent of the import market, trailing the U.S. Japan and West Germany. However, as a recent study from the Committee for Middle East Trade noted last month the British share is lower in relative terms than its average share in Middle East markets.

A considerable official effort has been put into encouraging a higher level of British exports, not least because of the recent publication of the new Saudi Development Plan for 1980-85.

The COMET study stressed the additional scope for British exporters in the new Plan, spelling out three factors. First, it noted the emphasis in the Plan on projects in productive industries other than construction. Second, it drew attention to the likelihood that projects would be awarded in smaller units. Third, it specified that maintenance and repair work on past projects had become a priority and that they will be given more weight on future projects, despite greater costs.

These priorities will no doubt be given a good airing in the Joint Commission meetings, most of which will be conducted at official level. There is likely to be a good deal of discussion on joint ventures, not only to establish whether the Saudis are happy with UK partners, but whether mechanisms can be created to increase the co-operation.

BA set for direct Durban service

BY BERNARD SIMON IN JOHANNESBURG

BRITISH AIRWAYS and South African Airways are to launch the first direct service between London and the coastal city of Durban on April 1, the two airlines announced at the weekend.

BA's weekly service, departing from London on Wednesdays, will be a continuation of its flight to Salisbury in Zimbabwe. Nairobi will be dropped as a stopover point on this flight, providing BA's first non-stop service between Salisbury and London, although BA will not have traffic rights between Durban and Salisbury.

South African Airways' flights will leave from Durban on Sundays, and like its other European services, will be routed via the Cape Verde Islands.

South Africa is one of BA's most profitable routes. The airline currently operates nine flights a week to Johannesburg. SAA operates eight flights to London, including a weekly flight from Cape Town.

Niger seeks mining equipment

BY A SPECIAL CORRESPONDENT

BRITAIN'S Export Intelligence Service has received notice that the Organisation Nationale de Recherche Minière (ONAREM) of the West African county of Niger is looking for additional suppliers of mining equipment to be included in invitations to tender.

Niger is one of the large landlocked countries that, before the discovery and exploitation of its mineral wealth was one of the poorest countries in the world.

However in the 1960s it discovered uranium in its northern desert regions, and the first mine at Arlit began production in 1972. Total proven reserves stand at over 200,000 tonnes of uranium oxide, about 10 per cent of the known proven reserves i nthe Western world. There are nine deposits discovered so far, two of which are now in production and a further three planned to come on stream in the next four years. Even though the price of uranium fell 25 per cent during the last year, to under $30 per pound, these mines are still likely to go ahead because there are long-term marketing contracts with utilities. Niger's annual uranium oxide production capacity could be about 4,300 tons by 1982.

So far most mining equipment (and half of all imports) has been supplied by France, the old colonial power. The French Government's holding company COGEMA has an interest in many of the consortia investigating or exploiting the deposits. Other members of the consortia include Japanese, U.S. and European companies — either government-backed or private depending on the organisation of the electricity supply industry in the home country.

Britain's CEGB has an interest in the consortium exploring the deposit at Tcheli on which no firm decision has yet been taken. The tenders ONAREM probably has in mind are those for the equipment for new mines at Tassa N'Tahalgue, Immouraren and Afasto Ouest. The Government has in the past indicated it does not want to be seen as a preserve for French importers alone.

Niger is not only rich in uranium. Coal mining began in 1980. Production will reach 200,000 tons pa to supply thermal electricity for the mines. A feasibility study on a huge iron ore deposit is planned for 1981, and exploration for oil in the Lake Chad basin has been going on for several years. Though deposits have been located and test drills sunk the results have not been announced. Other mineral deposits include phosphates, manganese and cassiterite (tin ore).

Niger has been governed since 1974 by Lt-Col. Seyni Kountché, previously the army chief of staff, who ousted the elected regime of Hamani Diori. The military Government appears to be genuinely orientated towards using Niger's growing wealth to improve agricultural production and educational standards.

SHIPPING REPORT

Dry cargo rates drift lower

BY OUR SHIPPING CORRESPONDENT

DRY BULK cargo freight rates have drifted lower over the last week. The grain trades have been fairly active, but the upsurge in iron ore chartering has tapered off, and in the oil markets, the relatively mild winter is depressing demand for fuel traffic.

In the key grain trade between the U.S. Gulf and Europe, the rate for 70,000 tonners has continued to fall. The going rate is now about $18.50 a tonne, which compares with the recent December peak of $22.50 a tonne.

High grain stocks in Western Europe, plus barging problems on the Mississippi caused by low water levels, have led to an easier trend in grain freight rates. Galbraith Wrightson predict that rates could ease still further.

In the iron ore trades, chartering activity has been centred on India where exports are some 2m tonnes higher in the first eight months of fiscal 1980/81.

According to the latest figures, world steel production fell by 30m tonnes to 717m tonnes last year. U.K. production fell by nearly 50 per cent and the U.S. production was nearly a fifth lower.

By contrast, Venezuelan production rose by over a third. In the current year, most observers are expecting Japanese production to drop, which will lead to a reduction in demand for iron ore movements. Nevertheless, the 1980 world output of steel is still a fifth higher than in 1970.

Matheson (Chartering) says in its latest monthly report that it expects the dry cargo markets to remain "basically firm" until at least the early summer. It is pinning its optimism on continued buoyancy in grain exports and steam coal movements.

In the coal trades delays of up to 60 days at the U.S. East coast loading ports mean that the demurrage rates remain the critical factor for charterers.

A 100,000 tonner was fixed from Hampton Roads to Dunkirk at $12.25 per tonne. Demurrage, which is the charge made by shipowners for detention of ships over and above the normal loading/unloading time, has been fixed at $18,000 per day. A 78,000 tonner was fixed from the same port for a trip to Gijon in Spain at $11.80 per tonne and demurrage was fixed at $17,000 per day for the first 50 days, and $18,000 a day thereafter.

In the oil trades, the rate for Very Large Crude Carriers hovers at about Worldscale 30.

The latest figures from Davies and Newman, tanker brokers, indicate that the amount of tanker tonnage laid-up or being used as storage dropped by 1.4m dwt to 23.7m dwt in January.

However, E. A. Gibson reports that a number of owners are now seriously contemplating laying up their ships again.

Scottish group platform project

OSLO — Howaldswerke-Deutsche Werft of West Germany and the McDermott Company of Scotland have each won contracts worth $13m for construction of the two trusses for the Statfjord C platform's steel deck frame, the Statoil, Norwegian State Oil Company, announced.

Together with the infill sections being fabricated at the Stord Verft shipyards, the two trusses constitute the main deck frame of the platform.

Work at Howaldswerke and McDermott will begin immediately and will be concluded by the end of November. The rig itself will be constructed in Norway.

AP

World Economic Indicators

FOREIGN EXCHANGE RESERVES (US$m)

	Nov. 1980	Oct. 1980	Sept. 1980	Nov. 1979
UK	18,986	19,555	19,636	18,133
USA	8,735	7,194	6,154	4,146
West Germany	41,538	41,720	44,108	44,086
Japan	21,267	21,007	19,935	16,215
France	26,595	26,575	25,701	15,197
Netherlands	10,180	10,068	10,221	6,385
Belgium	6,761	6,496	6,953	4,899
Italy	21,424	20,643	20,234	17,427

UK NEWS

BAA seeks injunction in landing fees row

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE BRITISH Airports Authority is to seek an injunction in the High Court today, aimed at preventing 16 foreign airlines using Heathrow Airport from continuing to withhold increases in landing and other fees, which the Authority claims they should legally pay.

The money represents increases first made last April, which the airlines argue are illegal and excessive. They began to withhold the increases —while continuing to pay the original levels of charges—last November.

By end-March, the amount withheld is expected to reach £3m. If the airlines continue to withhold the increases for a year, the sum will reach £8m.

... airlines, including most of the biggest foreign airlines using Heathrow, have launched their own case against the BAA seeking a ruling that the increases are illegal. This is due to go to court later this spring. The Authority will defend the action vigorously, but meanwhile it says the airlines should pay the increases until they are told by the court that they need not do so. Today's application for an injunction is intended to force them to pay, until the main action is heard later.

There are 17 airlines involved, but one, Sabena, is paying the increases. The other 16 are: Air Canada, Air France, Air-India, Air Mauritius, Alitalia, BWIA International, Lufthansa, Flying Tiger Line, Gulf Air, Iberia, KLM, Saudia, Scandinavian Airlines System, Swissair, Trans Mediterranean and Trans World Airlines.

Another major airline, Pan American, is bringing its own separate case against both the Authority and the Department of Trade, seeking to prove that the increased fees are illegal and excessive.

All these legal actions are considered to be of major long-term significance in the UK air transport industry, because in effect they are challenging the Authority's right, as the legal owner and operator of Heathrow on behalf of the Government, to determine what fees it can or cannot charge.

Despite the legal actions, the Authority plans to introduce further increases in fees at Heathrow from April 1, to meet its rising costs.

This, in the view of the complaining airlines, is likely to encourage more disgruntled operators to join their ranks.

Helicopter makes giant advance

By Our Aerospace Correspondent

A REVOLUTIONARY advance was made by British Airways Helicopters yesterday when it took delivery at Gatwick Airport of the first of a £60m fleet of six Jumbo helicopters. The aircraft is the Boeing Vertol 234, a 44-seater derived from the U.S. Chinook Jolly Green Giant military aircraft.

This twin-engine, twin-rotor aircraft, range 650 nautical miles, will be the biggest helicopter on the UK civil register. It enters service in July flying passengers directly between Aberdeen and the Brent offshore field, cutting out the smaller crafts' route via the Shetlands' Sumburgh Airfield.

The saving of up to two hours' flying-time is likely to be valued by the oil companies backing BAH's plans.

The company has a £78m, seven-year contract with Shell and Esso to use the Boeing 234s on direct flights between Aberdeen and Brent. It takes delivery of two more of the aircraft before the summer. All six will be in service by the end of the year.

In addition to flying the longer-range North Sea oil routes the company hopes the aircraft will eventually enable it to operate inter-city services, internally and internationally.

Select Committee on small businesses urged

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE CREATION of a Parliamentary Select Committee on smaller businesses to monitor Government policy and act as an independent advocate is proposed today by the Confederation of British Industry.

The CBI also suggests in a report sent to the Government that the Minister responsible for small companies should be upgraded.

The advisory services of the Council for Small Industries in Rural Areas should also be merged with the Industry Department's counselling service into one agency which might take over the small firms' role of the National Enterprise Board.

The proposals were approved last week by the CBI small firms' council and follow a variety of broadly similar proposals put forward in recent months by other organisations, including the Conservative Party's small business bureau.

Two private members Bills are also being promoted by backbench Conservative MPs. It is expected that the Government will announce some re-organisation of its small business activities soon, possibly at the time of the Budget.

Proposals put forward by other organisations include appointing a Cabinet Minister specifically for small businesses and creating a sub-section of the Cabinet office to deal with the subject. A single official agency embracing all the Government and other State-run activities has also been proposed, along with a State-supported research institute.

At present Mr. John MacGregor, Parliamentary Under-Secretary at the Industry Department, has special responsibility for small businesses along with some other duties. He reports to Sir Keith Joseph, Industry Secretary, who also takes direct responsibility.

The Industry Department's small firms division, which operates alongside the Department's regional policy divisions, is the main Whitehall centre for small businesses. It runs counselling services for small businesses around the country. But the Environment Department runs the Development Commission, which in turn controls CoSIRA, while the Welsh and Scottish Development Agencies carry most of the responsibilities in their own areas.

The last Government tried to co-ordinate these activities by giving overall responsibility to Lord (then Mr. Harold Lever, Chancellor of the Duchy of Lancaster, who had a two-man staff working with him in the Cabinet Office.

It has been suggested several times that a Small Business Agency, as exists in the U.S., should be set up in the UK. But this is not favoured by the Government, and the CBI says that "no single agency would meet all the objectives."

The CBI's report is aimed at rationalising some of the existing Government agencies, creating a more effective focal point for considering policy matters, and developing "a relatively independent advocate" for small business interests.

It has tried to avoid creating further or enlarged bureaucracies and has therefore recommended that the CoSIRA and the Industry Department counselling services should be merged under the control of the Industry Department. It also suggests that some duplication of counselling services in Wales should be rationalised.

"Consideration should also be given to the agency having responsibility for the administration of schemes of financial assistance which apply exclusively to smaller firms (such as the NEB's powers)," says the report.

The CBI objects to creating a small firms Department with its own Cabinet Minister separate from the Industry Department because it would duplicate effort in Whitehall. But it does suggest possibly strengthening the Industry Department's small firms division and giving one Industry Department Minister exclusive responsibility for the area.

Turning to the need for an independent advocate for small businesses, the CBI rejects an official Government agency and a privately-funded organisation but backs the creation of a Parliamentary Select Committee. This could be a sub-committee of the existing Trade and Industry Select Committee.

The committee would "monitor the whole of Government policy as it affects smaller firms and would act as advocate for the smaller firms sector," says the CBI.

Its job would be to "raise public awareness" of small business problems and it would act as a focal point for lobbyists seeking to influence Government policy.

Paisley will announce plans today

By Our Belfast Correspondent

THE REV IAN PAISLEY and his hard-line supporters will announce plans today to oppose what they call an Anglo-Irish conspiracy to "sell out" Northern Ireland.

Mr. Paisley, leader of the Democratic Unionist Party, was backed by 600 followers in his campaign strategy at a weekend meeting in private at Ballymena, in the heart of his constituency.

He said afterwards that details would be revealed at a Press conference in Belfast.

The militant Protestant protests have been sparked off by the joint study taking place after December's Dublin meeting between Mrs. Margaret Thatcher and Mr. Charles Haughey, the Irish Prime Minister.

Mr. Paisley claims that the studies into developing the relationship between the two countries are part of a process of all-Ireland integration.

To display the widespread opposition that he says exists Mr. Paisley arranged a demonstration by 500 Protestant men on a lonely hillside in County Antrim early on Friday. Journalists who were taken there were told that documents waved by the men on command were firearms certificates.

The Government has dismissed these activities as blatant electioneering tactics in the run-up to Northern Ireland local council elections in May. This interpretation was hotly denied by Mr. Paisley, who said that "Loyalists would stop at nothing" to prevent the six counties being handed over to "the enemies of our country."

Ferries move

THE FUTURE of P and O Ferries' money-losing Liverpool-Belfast service will be announced in Belfast today by Mr. Ian Churchill, the executive chairman.

For nearly a month the company and the National Union of Seamen have discussed ways of making the route viable. A decision to close the service was withdrawn in early January after widespread public and political protest.

Civil engineering jobs drop faster

BY ANDREW TAYLOR

UNEMPLOYMENT IN civil engineering companies is swiftly gathering pace, though the industry's order books are no longer falling as sharply as they did several months ago.

The quarterly workload survey made in January by the Federation of Civil Engineering Contractors shows that order books continued to decline but "at a less alarming rate" than in October, the time of the previous survey.

The federation said that the sharp acceleration of unemployment in the industry since the third quarter was "disturbing."

In the survey 70 per cent of companies said they employed fewer construction workers than a year ago. This was almost double the number of companies which reported higher unemployment in October.

The decline was particularly marked in companies employing more than 1,000. White-collar staff fell to a lesser extent.

Of companies replying 66 per cent had less work than at the same stage last year. About 65 per cent said order levels were lower than six months or a year ago.

More delay on CB feared

BY ELAINE WILLIAMS

THE GOVERNMENT has been accused by the Citizen's Band Association of unnecessary delay in the introduction of Citizen's Band radio.

The association fears that today's Adjournment Debate in the Commons will result in another postponement of a definite date for the legalisation of CB.

It warns that "further procrastination" would "promote the further growth of illegal CB use, damage the public image of CB radio so that it will not be used to the best public benefit, and reduce the profits to be made from CB by British business."

Mr. James Bryant, president of the association, says: "The Government will just be storing trouble up for itself if it sidesteps the issue again."

There are now perhaps more than 250,000 illegal users of CB on the 27MHz AM frequency band. These users were unlikely to change to another frequency band if the Government decided to introduce a service at 930MHz as proposed in last year's Green Paper on CB, Mr. Bryant contends.

Financial futures market 'would be beneficial'

BY DAVID MARSH

TRADING of gilt-edged stocks on the proposed financial futures market in London would make it more difficult for the Government to sell its securities at managed rates, but would otherwise have a generally stabilising effect on interest rates.

This is the conclusion of an article in the quarterly National Westminster Bank Review by Mr. Gordon Gemmill, senior research fellow in commodities at the City University Business School.

A financial futures market dealing in forward contracts in currencies and interest rates gives businessmen and investors the opportunity of covering future risks and of taking outright speculative positions on foreign exchange and credit markets.

Mr. Gemmill argues that the benefits of financial futures outweigh the disadvantages, and he urges that such a market be allowed to set up in London.

But a financial futures market in securities is likely to be more speculative than those existing for most commodities, apart from precious metals, he says.

A working party of City institutions has proposed setting up a financial futures market in London by early next year, and the Bank of England is at present looking into its recommendations.

Charter talks likely to resume

By Hazel Duffy, Industrial Correspondent

GOVERNMENT officials expect to resume discussions with the professional engineering institutions this week on the charter for the proposed Engineering Council in an attempt to break the deadlock imposed by the institutions' refusal to work with the charter.

Mr. John MacGregor, junior Industry Minister, tried in last week's debate on the third reading of the Industry Bill to allay the institutions' fears that the Government intends to direct the Council.

He said: "Although the Government will appoint the first chairman and members, they will do so in such a way as to reflect the very broad range of interests involved.

"Thereafter, the council will act in its own right under the charter, and as can be seen from the draft, there is no question of the Government being given power to direct the work of the council."

Some form of agreement with the institutions is essential if the council is to get off to a reasonable start, if only because the Council of Engineering Institutions (CEI) has shown itself to be unwilling to give up its control over the title of "chartered engineer."

Trade union and Opposition comment, however, is showing signs of becoming increasingly restless with what they see as the obstructive measures of the institutions towards establishing the council.

Travel hopes

PICKFORD'S TRAVEL, the travel agency chain, forecasts a record number of overseas package holiday bookings for this summer. It says a survey through its 150 branches shows summer bookings for 20 tour-operators' holidays since the operators' brochures were published in the autumn are 18 per cent higher than in this time last year.

Dearer Tolly

TOLLY COBBOLD, the Ipswich brewers, increases the price of its draught beers by 2p a pint this week. All bottled beers also go up by 2p a large bottle.

PSBR 'may reach £12bn next fiscal year'

BY DAVID MARSH

THE GOVERNMENT looks likely to face a public sector borrowing requirement of at least £11bn to £12bn in the 1981/1982 financial year—about 50 per cent above the target implied in its medium term financial strategy, according to the latest City forecasts.

This large need for credit—which would be little short of the figure expected for 1980/81 —is likely to arise in spite of the Treasury's efforts to trim borrowing through spending cuts and tax increases in next month's Budget.

In spite of this expected massive breaching, for the second successive year, of the Government's fiscal target, most City economists expect a Budget announcement of a 2 per centage points drop in Minimum Lending Rate.

Inflation is falling faster than expected and this is one of the reasons for the relative optimism on interest rates. Several firms of gilt-edged brokers now expect the year on year rate to be well into single figures at the end of this year —perhaps as low as 7 per cent.

Brokers James Capel reckon that the Chancellor is likely to aim for a borrowing figure of £10bn to £11bn in 1981-82.

But the actual figure will probably be around £12.5bn, they believe. This would be in spite of index-linked rises in duties on petrol, alcohol and cigarettes in the March Budget and an anticipated raising of income tax allowances.

An expected 800,000 increase in adult unemployment above the 1980/81 figure would be adding £2.8bn to the Government's credit needs. The total number out of work could reach 3.5m to 4m by the end of next year.

Brokers Phillips and Drew believe that borrowing will be £11bn to £12bn next year in spite of a deflationary Budget, and will remain above £10bn each year to 1984-85.

Laing and Cruickshank, forecasts that the Budget will contain deflationary measures worth £1.5bn to reduce next year's borrowing to about £11bn. As a "sweetener to the success of bitter pills," it expects MLR to come down 2 per cent on March 10.

The firm expects the inflation rate to fall below 10 per cent in the late summer.

Moves to keep Harland on an even keel

William Hall reports on problems at Belfast's biggest shipyard

THE AMOUNT of new tonnage launched last year by Harland and Wolff, the loss-making Belfast shipbuilder, fell to its lowest level for more than a decade. Two 7,000 grt ferries for British Rail's ferry services were launched, and two engines totalling 51,380 bhp were completed.

In 1979 Harland and Wolff made a trading loss of £21.4m and the outlook for 1980-81 is little better.

At the end of last year there were only four ships on order — two liquefied gas carriers for Shell, which are about a year late, and two 109,000 dwt tankers for BP. In addition, the two Sealink ferries are being fitted out before delivery.

Despite receiving substantial Government aid in recent years (£42.5m has been earmarked for 1980-81), Harland has failed to benefit from the upturn in world shipbuilding orders.

Harland's main problem is that its facilities are designed for the production of large and simple vessels, such as giant tankers. But in practice most of its recent orders have been for small and complicated vessels, such as ferries and gas carriers, which require a high level of outfitting and demanding design work.

But there is hope that the yard might win orders for large coal/ore carriers. A large number are likely to be ordered in world shipyards in the next 18 months.

Harland and Wolff has received nearly £250m of Government aid since the 1960s. Successive Governments are reluctant to allow the yard to close, as it employs 7,000 and is one of the single biggest employers in Northern Ireland.

One of the Government's main tasks is to find a new chairman for the company. Sir Brian Morton, chairman for the last five years, retired last October. Mr. Alex Cooke was appointed acting chairman for six months while a successor was found.

The Government is also anxious to strengthen Harland's management. Last summer, it revealed that as part of its agreement to continue funding Harland's losses it was going to review the structure of the board and its management capacity.

In an effort to reduce Harland's dependence on shipbuilding, various attempts have been made in recent years to diversify into new areas. These have been of only limited success. The Government has now established a special review team to investigate "more radical" alternatives.

The team, headed by Sir Patrick Meaney, the chief executive of Thomas Tilling, is expected to report by the spring. Its terms of reference are "to examine the prospects for additional uses for the existing production facilities at Queen's Island (in the form of either joint ventures with H and W, or of completely separate enterprise), having regard to existing skills but not restricting the scope of examination to enterprises making direct use of available physical facilities, and to examine proposals for disposal of under-utilised resources, joint ventures and other industrial development."

Recovery 'to begin in the autumn'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE BRITISH recession should touch bottom in the next six to nine months but recovery is likely to be sluggish and unemployment will continue to rise. The outlook for inflation and for public-sector borrowing is somewhat brighter.

This is the general view of a sample of leading bodies which produce regular economic forecasts in the U.K. There is general agreement about the economy's direction but no unanimity about the timing of the turning point.

The forecasts are subject to a wide margin of error. Often it is as large as the changes projected for Gross Domestic Product and its components, and £2bn or more for the current account of the balance of payments and for public sector borrowing.

The degrees of agreement on some points does not necessarily mean the projections will be proved correct. However, what consensus there is about the *outlook is likely to be significant* in its influence on policy-makers, businessmen and financial markets.

The accompanying tables include forecasts intended to be representative rather than comprehensive.

The following statements and comments also take into account the projections of the ITEM Club, the Economic Models Group, Merrill Lynch, and the stockbrokers Simon and Coates, Carr Sebag, de Zoete and Bevan, and Grievson Grant.

In general the forecasters have become gloomier about the *outlook* for 1981 since a similar comparison last September. Then, the average projection was a drop in real Gross Domestic Product of 0.4 per cent this year compared with 1980. The latest estimate is a 1.6 per cent decline.

The main features of the forecast are:

1.—The recession should touch bottom between now the early autumn though some bodies (notably the OEDC) are more pessimistic.

However, the average estimate of a 1.7 per cent rise in output next year would still leave Gross Domestic Product well below the level at the start of the recession.

2.—*Destocking should end at* about the middle of this year but stockbuilding thereafter will in part be offset by a lower level of fixed investment and a deteriorating foreign trade balance.

3.—The contrast between the experience of producers and consumers will continue. After dropping by about 10 per cent last year, manufacturing production is likely to fall by a further 4½ per cent this year and recover only slightly in 1982.

Real incomes may be squeezed slightly this year as the rate of growth of wages slackens but *should start rising again in 1982.*

Similarly, consumer spending is likely to be marginally down this year (minus 0.3 per cent on average) before rising by 1.9 per cent *in 1982*.

4.—Imports are likely to rise sharply from the middle of this year onwards so, with a smaller rise in exports, the current *account of the balance of pay*ments may slip from an expected surplus of 1.4bn this year to a £500m deficit in 1982.

5—Unemployment is likely to *continue to rise, to about 2.6m* (for adults in the UK) by the end of this year and to 2.75m *by the end of 1982. The sharp* rise in the last three months makes these projections look rather optimistic.

6—The annuel inflation rate *should continue to slacken this* year, down to just over 10 per cent, though several forecasters expect a single figure rate from the summer onwards.

While *the average projection* is for a decline to just over 9 per cent by the end of 1982, some groups (for example, Laing and Cruickshank and *James Capel) are projecting a* slight increase in the annual rate in 1982.

7—Public-sector borrowing is expected to be about £11.6bn in the current financial year (though recent projections are more pessimistic), falling to *£10.25bn* in 1981-82.

This is probably not far from the Treasury's own forecast. Moreover, those economists who look beyond 1981 expect a *further* decline in borrowing, largely thanks to rising North Sea oil revenues.

There is a wide range of projections for most economic vari*ables though most forecasts are* concentrated in a fairly narrow range.

A striking feature is that there are no obviously discernible differences between monetarist and Keynesian groups, except that the latter are marginally more pessimistic about the medium-term outlook for output and inflation.

The results of the forecasts are broadly similar to projections made by the Short-term Forecasting Group of the Society of Business Economists three months ago, though there is now greater optimism about inflation and greater caution about the current account.

COMPARISON OF FORECASTS

Percentage change year-on-year in costant 1975 prices unless stated		Expected outcome in 1980	Treasury (Nov.)	OECD* (Dec.)	London Business School (Oct.)	National Institute (Nov.)	Confedtn. of British Industry (Jan.)	Economist Intelligence Unit (Jan.)	Cambridge Econometrics (Jan.)	Chase Econometrics (Jan.)	Cambridge Economic Policy Group (April)	Phillips and Drew (Feb.)	Wood Mackenzie (Jan.)	Hoare Govett (Jan.)	Laing and Cruickshank (Jan.)	Capel-Cure Myers (Dec.)	James Capel (Feb.)	Henley Centre (Jan.)	Staniland Hall (Jan.)
Gross Domestic Product	1981	−3	−1.5	−2	−0.6	−0.8	−2.4	−3.6	−1.9	−3.3	−3.6	−3	−2.0	+1.3	−1.8	−1.5	−0.3	−1.4	−1.3
	1982		—	0	+2.4	+0.8	—	+0.4	+0.7	+4.5	—	+2.2	+3.0	—	+0.4	+1.8	+1.2	+2.6	+2.7
Consumer Spending	1981	0	−0.5	−0.5	+0.8	−0.2	−0.8	+0.2	−0.8	−3.6	+0.3	−0.7	−0.2	+1.7	−0.1	−0.5	+0.7	−0.5	−0.3
	1982		—	+0.5	+1.6	+1.4	—	+1.9	+0.7	+3.0	—	+2.1	+1.7	—	+1.6	+2.0	+1.7	+2.7	+3.1
Exports	1981	+1	−3	−3	−0.4	−1.9	−5.4	−6.1	−2.8	−4.9	−2.5	−2.6	−2.8	−0.6	−4.7	+1.0	−3.5	−2.5	−2.1
	1982		—	−1	+3.1	+2.1	—	−1.2	+2.5	+5.5	—	+2.7	+4.0	—	+3.0	+2.0	+1.4	+2.4	+4.6
Imports	1981	−3	0	−1.25	0	−1.8	−3.9	−1.9	−0.1	−5.1	+0.6	+2.6	−1.0	+1.6	−1.6	+0.5	+1.0	−1.0	−1.4
	1982		—	+6.25	+2.5	+3.5	—	+5.0	+4.6	+5.0	—	+3.5	+6.0	—	+6.3	+3.0	+6.4	−4.8	−7.6
Manufacturing Output	1981	−10	−4	−4.75	—	—	−4.7	−8.3	−4.6	−0.4	—	−6.0	−4.0	—	—	—	—	−5.1	−3.8
	1982		—	−2	—	—	—	+0.7	−1.4	+8.1	—	+1.7	+3.0	—	—	—	—	+3.5	+2.5
Retail Price Inflation† (year to fourth quarter)	1981		11	12	9.9	11.7	11.2	11.2	9.7	—	—	9.8	11.1	8.2	9	11.0	7.8	11.2	10.3
	1982	15.5	—	—	7.5	9.1	—	9.1	10.0	—	—	—	9.1	—	10.2	8.0	11.0	10.7	9.5
Unemployment‡ (adults, fourth quarter, million)	1981	1.9	—	—	2.1	2.3	2.5	2.6	2.7	2.6	2.6	2.6	—	2.7	—	2.7	—	2.7	2.8
	1982			—	2.2	2.7	—	2.8	3.0	2.5	—	—	—	—	—	3.0	—	2.9	2.9
Current Account (£ billion)	1981	+2.3	+2	+1.85	−1.4	+2.4	−0.5	+2.8	+0.9	−0.6	−1.0	+1.2	+1.0	+2.9	+1.3	+2.7	+0.9	+3.5	−1.8
	1982		—	−1.3	−1.4	+1.7	—	−0.1	−0.8	−0.6	—	−0.4	−0.5	—	−1.0	+1.5	—	+2.0	−0.3
Public Sector Borrowing (£ billion)§	1980-81		11.5	—	9.9	11.4	10.5	13.6	—	—	—	12.3	11.0	11.0	11.8	11.5	13.0	11.5	12.0
	1981-82		—	—	9.4	8.0	—	12.5	—	—	—	11.5	10.4	10.0	11.8	11.5	—	11.5	10.0

** Organisation for Economic Co-operation and Development projections for 1982 are for first half compared with previous six months at an annual rate.*
† Retail price inflation for all except London Business School, CBI, OECD and Cambridge Econometrics where consumer price inflation.
‡ Unemployment—UK figures for all except London Business School and National Institute where Great Britain figures (excluding Northern Ireland).
§ Public Sector Borrowing forecasts assume indexation of income tax allowances and indirect tax specific duties.

APPOINTMENTS

Divisional chief for Showerings

SHOWERINGS, VINE PRODUCTS AND WHITEWAYS (wine, spirits and soft drinks division of Allied Breweries) has appointed Mr. Derek Stuart Todd, divisional managing director from March 9. Mr. Stuart Todd, who has been with the group for 18 years, is already a Board member of Showerings, Vine Products and Whiteways and moves to his new position at the division's headquarters at Shepton Mallet, Somerset from his present appointment as managing director, Vine Products, the Group's major British wine company, at Kingston upon Thames. Prior to his current appointment Mr. Stuart Todd was managing director of the group's cider companies having been previously marketing director of Grants of St. James's.

★

Mr. Guy Warwick, managing director of Cambridge-based ULTRA - VIOLET PRODUCTS has been appointed Northern European regional manager of American parent company UVP International Inc. In addition to his current duties he will now be responsible for sales in Scandinavia, Benelux and Comecon countries.

Mr. John Marshall, chairman of HILL SAMUEL LIFE ASSURANCE, is to assume executive control of the company and Mr. Geoffrey Dunsford will become *the company actuary following* the resignation at the end of this month of Mr. Tony Geddes, the present managing director and actuary.

★

Mr. J. R. Stafford has been appointed an additional director of the PRESTIGE GROUP. He is a director and executive vice-president of American Home Products Corporation, the company's majority shareholder.

★

Mr. B. S. Thompson has been appointed principal surveyor for the People's Republic of China, LLOYD'S REGISTER OF SHIPPING under the jurisdiction of Mr. H. McLean, the senior principal surveyor for China, Hong Kong, Korea and the Philippines. All work in the People's Republic of China will be covered from a new sub-office established by Lloyd's Register in Hong Kong.

★

Sir Peter Tennant has joined the Board of INTERNATIONAL ENERGY BANK as a non-executive director and Mr. William M. O'Bryne has been appointed a senior vice president of the Bank.

Mr. Keith Rushton, a director and general manager of Transtel Communications, has been appointed managing director of TRANSTEL, the joint Extel Group and Extel Corporation of America company which manufactures and markets teleprinters and data terminals at Slough, Berks.

★

Mr. A. N. Whitney, Mr. D. F. Hatch, Mr. M. R. Murch and Mr. J. O. Clarke have become partners of SIMON AND COATES, stockbrokers.

★

Mr. P. Cornelius, Mr. A. T. *Denning* and *Mr. S. J. O'Reilly* have been appointed directors of McCORQUODALE PRINTERS.

★

Mr. David Dickinson, Westward *Television's* technical controller and a director of the company, has resigned to join TELEVISION SOUTH WEST as director of technical operations from *May 1. Mr. David Jenkin*, who was Mr. Dickinson's deputy, will act as chief engineer for the remainder of Westward's contract with the Independent Broadcasting Authority.

★

Mr. Michael Hind, has been appointed director, systems development of NATIONAL GIROBANK. He will be responsible for the design, installation and updating of systems to meet Girobank's growth and expansion of services. Mr. Hind joined Girobank in 1966 during the planning stage. Until his appointment as director, systems development he was planning controller.

The week in Parliament

Commons: Employment and *Training Bill, second reading.* Motion on the Control of Pollution (Special Waste) Regulations.

Lords: Wildlife and Country*side Bill, committee stage.*

Select Committees: Education, Science and Arts. Subject: Secondary school curriculum and examinations. Witnesses: Asst. Masters and Mistresses Assn.; National Assn. of Shoolmasters / Union of Women Teachers; National Union of Teachers; Professional Assn. of Teachers. (Room 6, 4 pm). Home Affairs. Subject: Administration of the Prison Dept. Witnesses: Bar Assn.; Justices' Clerks' Soc. (*Room* 8, 4.30 pm).

TOMORROW

Commons: Second readings of the Atomic Energy (Miscellaneous Provisions) Bill and Armed Forces Bill. Motion on the British Railways Board (Increase of Compensation) Order.

Lords: Motion on report of Select Committee on Procedure. Public Passenger Vehicles Bill, second reading. Statute Law (Repeals) Bill, second reading. Energy Conservation Bill, third reading. *Representation* of the People (Variation of Limits of Candidates' Election Expenses) Order 1981. Contempt of Court Bill, report stage.

Select Committee: Procedure (Supply). Subject: Supply Procedure. Witness: Mr. D. A. Bradshaw, Clark Asst., House of Commons (Room 15, 4 pm).

WEDNESDAY

Commons: Debate on Opposition motion on the Government's attack on housing and building industry. Motions on Northern Ireland Consolidation Orders on Legal Aid Advice and Assistance, and on Weights and Measures.

Lords: Debate on Liberal *Party's Ten Point Programme* for Economic Recovery. Debate on future of Concorde.

Select Committee: Welsh Affairs. Subject: Broadcasting in *the Welsh language and the im*plications for Welsh and non-Welsh speaking viewers and listeners. Witnesses: IBA, Welsh Advisory Committee, BBC. (Room 6, 10.30 am and 4 pm). Employment. Subject: Winter Supplementary Estimates. Witnesses: Dept. of Employment, Manpower Services Commission. (Room 8, 4.30 pm). European Legislation. Subject: Commission reflections on Common Agricultural Policy. Witness: Mr. Peter Walker, Minister of Agriculture. (Room 15, 4.30 pm). Social Services. Subject: Medical Education. Witnesses: Federation of Assns. of Clinical Professors. (Room 21, 4.30 pm).

THURSDAY

Commons: Education (Scotland) (No. 2) Bill, second reading.

Lords: National Film Finance Bill, second reading. Film Levy Finance Bill, second reading. European Assembly Elections Bill, second reading. Motions to approve Northern Ireland orders on weights and measures and legal aid, advice and *assistance.*

Select Committee: Home Affairs. Sub-committee on Race Relations and Immigration. Subject: Numbers and legal status of future British Overseas Citizens without other citizenships. Witnesses: Foreign and Commonwealth Office.

FRIDAY

Commons: Private Members' Bills.

Lords: Wildlife and Countryside Bill, committee stage.

HIGHVELD

STEEL AND VANADIUM CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

INTERIM REPORT FOR THE SIX MONTHS TO DECEMBER 31 1980

PRODUCTION: (Metric Tons)	Six months to 31.12.80	Six months to 31.12.79	Year to 30.6.80
Hot metal—total	389 979	367 559	737 772
Continuously Cast Blocks			
Blooms	245 497	223 073	429 568
Slabs	148 544	139 926	302 733
Billets	27 509	28 856	54 761
Total	421 550	391 855	787 062
Structural mill products			
Billets	9 482	11 204	20 285
Sections	199 714	194 853	378 532
Total	209 196	206 057	398 817
Plate mill products			
Total	116 228	121 265	262 636
Ferro-alloys	66 290	82 199	154 671
Carbonaceous products	127 530	130 882	231 571
GROUP FINANCIAL RESULTS (R000)			
Turnover	153 070	155 719	323 584
Profit before tax	34 866	33 107	70 105
Less: Normal tax	5 225	6 400	9 715
Deferred tax	6 132	5 850	14 613
	23 509	20 857	45 777
Less: Minority interests	585	743	1 879
Attributable profit	22 924	20 114	43 898
Taxed earnings per share (cents)	33.7	29.6	64.6
Dividends (cents)	10.0	9.0	29.0

The unaudited consolidated profit of the corporation and its subsidiaries for the half year to December 31 1980, before providing for tax and minority interests, but after providing for interest charges of R452 000 and depreciation of R10 685 000, amounted to R34 866 000.

After providing R11 357 000 for tax and after deducting minority interests of R585 000, the attributable profit was R22 942 000 an increase of 14 per cent on the half year to December 31 1979. The rate of taxation is lower than last year due to the higher *level of capital expenditure this year.*

In view of these results the board has decided to raise the interim dividend to 10 cents per share (1979 — 9 cents) payable in March 1981 at a cost of R6 801 000.

Apparent steel consumption in 1980 for the world including the communist bloc decreased by 4 per cent compared with the record tonnage of 747 million consumed in 1979. Free world consumption, however, showed a drop of 7 per cent and in the U.S.A., the world's biggest market, steel consumption decreased by 18 per cent. By the year end the U.S.A. was showing signs of improvement and free world consumption for 1981 is forecast to increase by about 2 per cent over 1980.

As a result of the lower worldwide demand, steel export dollar prices have been under pressure throughout the year. The reintroduction of the trigger price mechanism in the U.S.A. in October 1980, the "quota" agreement in November 1980 among EEC steel producers, and the stronger Japanese yen led to an improvement in steel export dollar prices by the year end.

South African apparent steel consumption during 1980 showed a 16 per cent increase over 1979 to reach a new record of 6 900 000 tons. Continued growth is forecast for 1981 but at a much lower level. This improvement in the domestic situation helps balance the less buoyant export position.

Demand for vanadium weakened considerably during the period and as a result only one of the eight roasting units at the Ventra division is in operation. This reduction in output coupled with other producers' cutbacks will correct the supply/demand imbalance.

The world ferro-alloy industry is in a similar situation to that of the world *steel industry with regard to lower demand, but the fall-off is accentuated due to* the decision by most steelmakers to reduce inventories. Transalloys' export sales of manganese and silicon ferro-alloys were consequently adversely affected, with total sales revenue 31 per cent lower for the half year compared with the same period last year.

The Rand Carbide division, being less dependant on exports, continued to operate at capacity, but the lower level of activity in the Southern African ferro-alloy industry will affect sales of metallurgical char and electrode paste in the second half of the financial year.

Group turnover for the period at R153 070 000 was slightly below the turnover for the half year ended December 31 1979 due to a reduction of 27 per cent in export sales revenue. Of this reduction 48 per cent was directly due to the stronger rand.

The erection of the tenth pre-reduction kiln in the iron plant and the fourth shaking ladle emplacement in the steel plant is on schedule and both units should commission by July 1981. The sixth furnace at Transalloys is also on schedule and will be commissioned before the end of 1981.

In November 1980 the board approved R110 million for the expansion of the iron making capacity. The scheme includes the first furnace and three pre-reduction kilns in the second iron plant and modest expenditure at Mapochs Mine, the steel plant, and in general services on the iron and steel works. The project will be financed from cash flow and local and overseas loans and the furnace and kilns which will commission in 1983 will take steel capacity to 1.1 million tons.

Current overseas market conditions make financial forecasting difficult, but it is *expected that the group will maintain a similar level of earnings for the second half* of the year.

SHARE CAPITAL

The issued share capital increased from R67 932 770 at June 30 1979 to R68 012 770 as a result of the issue of 80 000 shares in terms of the share incentive scheme.

CAPITAL EXPENDITURE

The total commitment in respect of capital expenditure was R151 974 000 at December 31 1980, compared with R41 205 000 at December 31 1979.

DIVIDEND

The final dividend of 20 cents a share in respect of the financial year to June 30 1980 was declared on August 8 1980 and paid to shareholders on October 2 1980.

DECLARATION OF DIVIDEND NO. 13 (INTERIM)

NOTICE IS HEREBY GIVEN that the dividend No. 13 of 10 cents a share, being the interim dividend in respect of the financial year to June 30 1981, has been declared payable to shareholders registered in the books of the corporation at the close of business on February 20 1981 (1980—dividend No. 11 (interim) of 9 cents a share).

The dividend is declared in the currency of the Republic of South Africa. Dividend warrants will be posted from the office of the transfer secretaries on or about March 26 1981.

Any change of address or dividend instruction to apply to this dividend must be received by the corporation's transfer secretaries not later than February 20 1981. Shareholders must, where necessary, have obtained the approval of the South African or any other exchange control authorities having jurisdiction in respect of such instructions.

The share transfer register and register of members will be closed from February 21 to March 8 1981, both days included.

In terms of the Republic of South Africa Income Tax Act 1962, as amended, non-resident shareholders' tax will be deducted by the corporation from dividends payable to those shareholders whose addresses in the share register are outside the Republic. The effective rate of non-resident shareholders' tax is 15 per cent.

The abridged unaudited consolidated income statement of the corporation and its subsidiaries for the half year to December 31 1980 is contained in the accompanying interim report of the corporation for that period.

For and on behalf of the Board
W. G. Boustred (Chairman) }
L. Boyd (Managing Director) } Directors

Witbank
February 6 1981

Transfer Secretaries:
Consolidated Share Registrars Limited,
62 Marshall Street, Johannesburg 2001,
(P.O. Box 61051 Marshalltown 2107)

Registered Office:
Portion 29 of the farm Schoongezicht,
No. 308 J.S., District Witbank,
(P.O. Box 111, Witbank 1035)

UK NEWS—LABOUR

Tax men vote on industrial action

BY PHILIP BASSETT, LABOUR STAFF

TAX OFFICIALS will begin voting today on taking industrial action against the Government's 6 per cent pay offer in common with other Civil Service unions.

Leaders of the Inland Revenue Staff Federation, which represents 65,000 tax staff, warned yesterday that the action could seriously disrupt the handling *of £600m a week in tax and* National Insurance.

Two crucial staff meetings will be held today at Cumbernauld in Scotland, and Shipley in Yorkshire. These are the sites of computerised accounts offices which handle more than £200m a week in PAYE payments from employers.

Action at these centres, which will be addressed today by senior IRSF officials, coupled with action at previously-affected VAT and other key revenue-collecting computer centres, could dislocate business and, in particular, Government cash flows.

Tax officials will from this week be asked to pay a weekly *levy ranging from 50p to £2 in support of the action. IRSF* members will be in the forefront of any campaign of industrial action co-ordinated by the Council of Civil Service Unions.

Mr. Tony Christopher, general secretary of the normally moderate IRSF, even warned yesterday of the possibility of sabotage by his members because feeling was so high. He said the union would not condone such action.

Leaders of all nine Civil Service unions will today meet Lord Soames, the Lord President of the Council, and Minister in day-to-day charge of the Civil Service, to press their claim for increases of 15 per cent.

The final decision on industrial action rests with a meeting of the CCSU on February 26.

● The Government is staffing the Unemployment Benefit Service on the assumption that unemployment will rise to 3m by the end of the year, the Society of Civil and Public Servants claims today.

John Lloyd meets Murdoch negotiator Bill O'Neil

Tough talks at the Times

MR. BILL O'NEILL is one of the two negotiators to whom Mr. Rupert Murdoch has given the task of achieving in three weeks the kind of settlement which eluded International Thomson for 14 years.

Not surprisingly, at more than two weeks into that period he's a little tired, but still adamant. "If we don't get an agreement by Thursday I don't suppose we ever will," he says.

While the official deadline is Thursday the actual deadline is Wednesday. "The agreement with Thomson specifies that we have to have the deal signed by midnight Thursday. That means we have to get effective agreement by Wednesday to allow us a day to agree and sign the documents by Thursday midnight."

This punishingly short timescale places enormous weight on today's meeting between Mr. O'Neill, with his colleague Mr. John Collier, and the print union general secretaries. If some kind of deal can be struck today then, thinks Mr. O'Neill, Mr. Murdoch has a chance of owning the Thunderer: but only a chance.

"If we get agreement on Monday I don't necessarily think we have agreement down the line. The chapels are very much their own bosses."

Messrs. O'Neill and Collier have, over the past 17 days, heaped up an exceptionally tough mouthful for the unions to swallow, composed as it is of demands for a wage freeze until October 1982, a disciplinary clause in which everyone loses a lot of money if unofficial stoppages last more than two days, the moving of the supplements to another printing plant (though this was announced by Mr. Murdoch before negotiations proper began) — and, of course, manning cuts of about 22 per cent, Mr. O'Neill judges.

He knows what the toughest part of all that is. "The manning reductions are the top of the order of priorities. That's where the greatest difficulties lie."

None of the 54 chapels faced with manning reductions has so far agreed them. Leaving that hard fact aside, Mr. O'Neill argues that, first, a number of voluntary redundancies should be possible under the terms offered — four weeks payment (based on average earnings) for every year of service; and second, that if sufficient voluntary redundancies cannot be achieved, he will not go for compulsory layoffs if the unions can suggest another way of achieving the required level of cuts. The question, then, is one of finding a middle way between voluntary and compulsory redundancies.

Naturally, Mr. O'Neill does not believe that the unions will have an easier job with another bidder. "The company requires surgery — any buyer would have to perform it. But we aren't going to perform surgery so that it bleeds to death."

Are the other parts of the package negotiable? They appear to be: neither the wage freeze nor the disciplinary clause are rigid, he says, and he sees a lot of room to manoeuvre in today's talks. Even the total rejection by chapels of job cuts could be, he thinks, "tactical — to try to save the maximum number of jobs."

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	International Swimming Pool and Allied Trades Exhibition (01-681 7055) (until Feb. 10)	Metropole Exhibition Centre, Brighton
Feb. 10-13	International Business Computing, Word Processing and Information Management Exhibition (01-647 1001)	Cunard Int. Hotel
Feb. 14-22	Birmingham Post/Evening Mail Boat and Caravan Show (021 236 3366)	NEC, Birmingham
Feb. 15-18	International Men's and Boys' Wear Exhibition (021 705 6707)	Olympia
Feb. 18-19	Marketing Services Exhibition (01-680 7525)	West Centre Hotel, London
Feb. 22-24	Cycle Trade Exhibition (01-837 3636)	Ingliston Showgrd., Edinburgh
Feb. 22-26	Gifts Fair (0277 230501)	Metropole Exb. Hall, Brighton
Feb. 23-26	Photography at Work Exhibition (01-688 7788)	Wembley Conf. Centre
Feb. 23-28	Effluent and Water Treatment Exhibition (01-637 2400)	NEC, Birmingham
Feb. 23-28	International Construction Exhibition 81—Public Works and Municipal Services Congress and Exhibition (01-637 2400)	NEC, Birmingham
Feb. 24-28	National Stamp Exhibition—STAMPEX (01-930 6465)	New Horticultural Hall
Mar. 2-5	Autoquip Exhibition (01-235 7000)	Wembley Conf. Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Scandinavian Menswear Fair (01-540 1101) (until Feb. 10)	Copenhagen
Feb. 11-14	International Trade Fair for Household Appliances Fittings and Components—DOMOTECHNICA (01-409 0956)	Cologne
Feb. 13-17	International Household Goods, Glassware, Ceramics, Hardware and Tools—MACEF (01-404 0520)	Milan
Feb. 14-16	International Games and Toys Exhibition (01-439 3964)	Paris
Feb. 14-22	International Garden, Hobby, DIY, Leisure and Boat Exhibition (0202 732648)	Hamburg
Feb. 15-18	International Confectionery, Chocolate, Biscuit Trade Exhibition—INTERSUC (01-439 3964)	Paris
Feb. 20-Mar. 1	International Boat Show (01-874 6034)	Stockholm

BUSINESS AND MANAGEMENT CONFERENCES

Feb. 10	BIM: Computer programming for managers (01-405 3456)	Parker Street, WC2
Feb. 10	College of Estate Management: Understanding the big city: thoughts on its role and the future (0734 861101)	University of Reading
Feb. 11-12	Management Centre Europe: Effective business speaking (Telex 21917)	Brussels
Feb. 13	Oyez-IBC: Foreign Currency Translation (01-242 2481)	Europa Hotel, W1
Feb. 17	IPA: Consultation on major issues at company level (01-222 0351)	The Queens Nursing Institute, SW1
Feb. 18	Institution of Public Health Engineers: Microelectronics in public health engineering (051 236 6066)	Park Hall Hotel, Charnock
Feb. 18	The Henley Centre for Forecasting: Forecasts for exchange rates (01-353 9961)	London Press Centre, EC4
Feb. 18	ESC: Efficient treatment of corporate tax losses (057-282 2711)	Holiday Inn, NW3
Feb. 19	Oyez-IBC: Stock—the new rules affecting tax, accounting and stock levels (01-242 2481)	Royal Lancaster Hotel, W2
Feb. 22-25	ICSC: The dynamics of retailing in the 1980s (0734 861101)	Monte Carlo
Feb. 24-25	Crown Eagle Communications: Cost estimating for non-competitive defence contracts (01-636 0617)	Hotel Russell, WC1
Feb. 25	FT Conference: Developing the corporate report—European perspectives (01-621 1355)	Brussels
Feb. 25	Gower Conferences: Insurance Law—the new reforms (UK and EEC changes) (01-240 5931)	Cafe Royal, W1
Feb. 25	Productivity Consulting Services (Edinburgh): Motivating people to improve productivity (031-449 4648)	Cafe Royal, W1
Mar. 2-5	IPM: Preparing and presenting your own tribunal case (01-387 2844)	Embassy Hotel, W2
Mar. 4	AGB Conference Services: The Autoquip 81 seminar—Profits in the aftermarket (01-353 3651)	Wembley Conference Centre
Mar. 4-5	City Financial Conference Services: Changing World Insurance Markets—London at Risk? (01-628 3040)	Rainbow Suite, W8
Mar. 4-5	The Henley Centre for Forecasting: Practical training in forecasting quantitative techniques of forecasting (01-353 9961)	Blackfriars, EC4
Mar. 5-6	AMD: Cost control techniques for managers (07535 56047)	Runnymede Hotel, Egham
Mar. 5	CCC: Taxation of capital gains on sale by foreigners of U.S. real property (01-222 6362)	Royal Lancaster Hotel, W2
Mar. 9	IRS/IPM: The new employment law—do you have all the facts? (01-387 2844)	Dragonara Hotel, Leeds
Mar. 10-12	FT Conference: Tomorrow's Technology—society's master or servant (01-621 1355)	Gloucester Cathedral

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

INSURANCE

Bumpy ride for U.S. motor underwriters

BY JOHN MOORE

MOTOR INSURERS in the U.S. face a tough year, and underwriting results are expected to show a marked deterioration.

Key factors which influence the results of a motor insurer are the frequency of claims — which is influenced by the weather, the extent of the use of vehicles, driving safety standards, speed limits — and the rises in prices overall which affect the cost of claims.

A recent study by Conning and Co., a firm of U.S. stockbrokers, warns that results for 1981 could be significantly worse than in 1980.

Last year underwriting results deteriorated only slightly. Claims and expenses on average rose from 101.4 per cent of premiums written in 1979 to an estimated 102.7 per cent in 1980 *on private passenger business.*

Although claim costs were still increasing sharply, the frequency of claims declined significantly in the early part of the year. In addition there was an estimated 6 per cent increase in underwriters' rates.

The slowdown in the deterioration in insurers' results *owed much to the weather. The* winter of 1979/80 was mild and snowless: this brought untypically favourable driving conditions which in turn led to a sharp reduction in the freqency of claims.

Moreover, rising gasoline prices meant drivers spent less time on the road and speeds were reduced.

The claims frequency, according to Conning, could show a sharp rise in 1981. Claims and expenses are projected to rise from 104.4 per cent of premiums written to 116.2 per cent in the first quarter of this year. The full year could show a rise of 7.3 percentage points to 110 per cent, which means that underwriters' technical losses are likely to worsen considerably.

It is not expected that the downward trend will bottom much before the second quarter of 1982. Even then, claims and expenses may be reduced only from 110 per cent to 109 per cent of premiums written for the whole of 1982.

More worryingly, underwriters may face difficulties in gaining appropriate rate increases from the various regulatory authorities. The decline in the frequency of claims in early 1980 may have to be taken into account over a longer period.

The expected rate rises for 1981 are 12 per cent and for next year 20 per cent. These may not be enough to produce an eventual return to profitability in technical underwriting terms. Insurance remains very competitive and high interest rates are providing an attractive return to premiums — enough still to provide an ultimate underwriting profit to many U.S. motor insurers, irrespective of the underwriting trends.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Getting personal at Hewlett-Packard

A PERSONAL computer designed for business and professional people who wish to save money on capital outlay has been introduced by Hewlett-Packard, 308-314 Kings Road, Reading, Berks (0734 61022). Known as the HP-83, it is identical to the HP85 introduced a year ago except that it does not have an integrated magnetic-tape cartridge drive with integrated thermal printer. It is available immediately at a base price of £1,210, excluding VAT.

It is therefore claimed to be especially suitable for those who want the speed and convenience of a disc-based system and an external printer. Two types of HP flexible disc drives, providing mass storage from 270 kilobytes to about 5 megabytes, can be connected to the Series 80 machines. An HP printer and plotter, and printers from other manufacturers, can also communicate with both Series 80 computers.

A new Series 80 peripheral, the HP 9111A graphic tablet desinged to increase the productivity of HP desk-top computer users, is also available. Users can digitise or draw graphics with a pen on the tablet and then see the graphics transferred automatically on to the Series 80 cathode ray tube and memeroy.

With the graphics tablet, Hewlett - Packard claims schematics, computer - aided designs, circuits layouts and floor plans can be easily entered and changed at will.

Cleans the heater

COUNTLESS CAR heater matrices are changed every winter because the heater either doesn't function or—more commonly—the heat output is slow to start and then only effects minimal warmth.

British Leyland has recognised that the cooling system is one of the badly neglected areas in car maintenance and has issued a bulletin in its Tools and Equipment programme No. 13 HOO1, on the X-Tend Power Flush machine produced by Wynn Oil (UK), 10, Eaton Place, Reading (0734 599948).

A simple tubing method connects this machine to the vehicle radiator, heater and water pump, and pressurised water (containing the company's flushing compound) together with air turbulence, will remove rust scale build-up and other contaminants as it flushes and reverse flushes.

This all happens without forcing the contaminant deposits through the small bore heater and radiator cores which Wynn Oil says is a truly major improvement over the existing conventional method of cooling system cleaning procedures.

The entire process happens in 20 minutes or so of fast idling with the heater valve fully opened. The contaminated water is conveniently discharged into a drain (allowing a dry working area for the operator) and, as the machine uses no electricity, it provides mobility for the unit together with safety.

This whole operation can be followed on the machine's control panel, finishing with the installation of the required amount of fresh water/inhibitor/anti-freeze mixture, and, ensuring at the same time, that no air locks develop.

Digits control the megawatts at Drax

BY GEOFFREY CHARLISH

THE SECOND phase of the Drax power station near the Selby coal field in Yorkshire, will be one of the first examples of direct digital control, on a large scale, of steam raising plant.

Contracts worth about £5.7m have been placed by the CEGB, two worth about £3.7m with Solartron Schlumberger for data collection and monitoring and two others totalling £2m covering control equipment that have been let to Babcock-Bristol of Croydon (part of the Babcock Industrial and Electrical Products Group).

Control

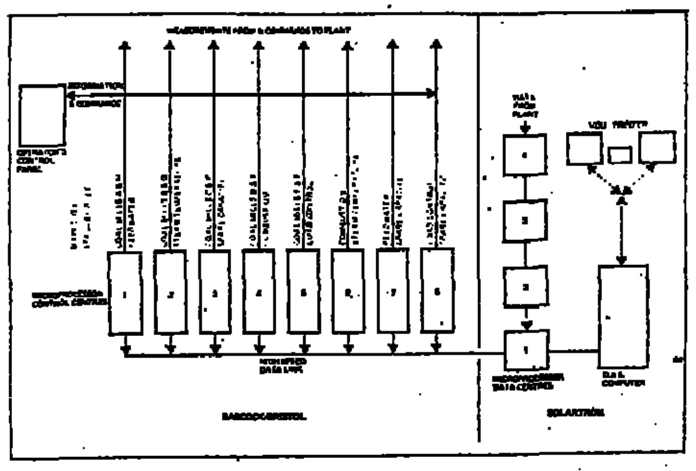
The decision by CEGB to use digital techniques is a further indication of the engineering trust now being placed in the microprocessor for the control of large amounts of power—in this case over 600 megawatts. Recently it was revealed that another big power source, the jet engine, would also soon be controlled in this way as a matter of course.

The Drax digital scheme, to be applied to the station's second set of three boilers, basically involves sensing flows, pressures and temperatures and the state of various controlling devices, relating the data to demands and programs and so efficiently controlling the power input to the turbines.

In the past such systems have usually been analogue—actual voltage and current levels representing the physical quantities have been sent over cables and employed centrally to modify the control actions.

But by turning such signals into a digital equivalent—a string of on-off pulses coded to represent the analogue levels—they can then be manipulated with great flexibility by the microprocessors. At Drax these processors are being used in a distributed mode, which means that the computer power is placed more locally where it is needed, reducing dependence on central control. A particular advantage claimed is that a computer fault does not cripple the whole, or a large part of the station.

Controlled parameters include feed water levels and flows, combustion air, superheater and re-heater steam temperatures and individual control of coal mills.



Basic outline of the digital control and data collection arrangements for one of the three new boiler/turbine sets at Drax power station near Selby in Yorkshire. Sensors and microprocessors on the sets accept and produce commands and measurement data for control purposes while others collect data for display and print-out

All the variables are shown in a wide choice of formats, on colour displays at control desks, with push button call-up of alphanumeric and graphical data and plant mimic diagrams.

Babcock-Bristol claims that the project is the first in power generation, and among the first in any industry, to adopt distributed processing on such a large scale. There are 18 microprocessors on each boiler unit, eight for direct boiler control and 10 for the start-up and shut-down sequencing system. LSI 11/23 processors from Digital Equipment Company are to be used and the software for direct control is being written by Babcock in the CEGB's own high level language "Cutlass." The 16-bit processors give greatly increased accuracy and several times the control power of earlier microprocessor systems.

Monitor

The sequence and control system will implement and monitor each step in the complex start-up and shut-down routines—a duty previously undertaken by hard-wired systems.

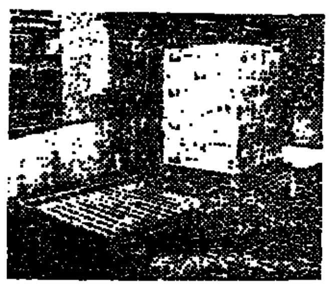
The equipment to be supplied by Solartron is concerned with the collection of operating data from the boilers, turbines and common services, for presentation in the form of displays and print-outs in the control room. A similar system is being provided to monitor status and event inputs at the Drax substation where the power station's output will be transferred to the grid.

An indication of the complexity of the modern power station is afforded by the fact that over 3,000 low and high level analogue inputs and some 7,000 status/event input lines will be monitored by the overall data processing scheme from Solartron. Altogether seven supervisory computer system and 21 intelligent data centres together with associated peripherals will form the distributed network, operating over high speed links.

For Solartron Industrial Systems, which is part of the 1,000-strong Electronics Group at Farnborough, Hants, the award of £3.7m of business direct from the CEGB "marks something of a milestone" according to engineer manager Martin Harding. It means that the company—traditionally a "pure electronics" company—has become a main contractor responsible direct to the Board, whereas previously most of its work had been at regional level.

NEWS IN BRIEF

PACKAGING



AN AUTOMATIC spiral stretch-wrapping machine said to be capable of wrapping successive loads of differing heights, lengths and widths with single film size without adjustment by an operator has been introduced by Strachan Henshaw Machinery, Speedwell, Bristol BS5 (0272 558281). Typical output is claimed to be 30 pallet-loads an hour.

Known as the SA30, it is one of Strachan Henshaw's range of stretch wrappers, all of which have a patented mechanism to give infinitely variable film tension and allow any type of film to be used. Savings of up to 25 per cent in usage are claimed.

The SA30 can be programmed to give any number of turns at the top and bottom of a load, while the degree of overlap during spiralling can be adjusted to ensure load stability and the most economical use of film.

IN THE OFFICE

THE LATEST dictation machines from Dictaphone feature microprocessor technology and a facility enabling authors to insert afterthoughts without erasing the existing recording.

The author runs to tape back to the point of alteration, presses the key marked "Afterthought" and inserts the new material. The secret? The machine simply records the afterthoughts on the second track of the tape. When the typist reaches that point a warning tone tells her to switch tracks for the new material. Dictaphone will give full details of its new "Dictamation" range on 01-903 1477.

MARKING

AN electrically-powered keyboard-operated stencil cutter designed to punch dot-formed upper and lower case characters, punctuation marks and numerals through oil-board stencils has been introduced to the UK market by Identiquip, Hilti House, Chester Road, Manchester M16 (061-872 7866) for product marking, pipe-run identification, barrel marking, and general use in shipping and despatch departments.

The machine, manufactured by Pannier, of Pittsburgh, Pennsylvania, is claimed to provide a rapid and accurate method of cutting single or duplicate stencils with a minimum of operator training. A single operator can produce a five-line, 105-character stencil in less than two minutes, Identiquip claims.

Character - spacing, line - advancing, paper-return and punching are all automatic, only line-return, paper-feed and removal being manual. A duplicate is produced in about 40 seconds. If required the stencil punch can be interfaced for computer operation.

A random access memory is part of the integrated circuitry. It has a maximum capacity of 450 characters, enough for three stencils including all punch instructions. The dot-formed characters can be 2 in, 1 in or ½-in high and are claimed to be easy to read.

STORAGE

BLACK, rotationally-moulded polyethylene bulk-storage containers have been introduced by Van Leer (UK), Van Leer House, West Byfleet, Surrey (Byfleet 41161).

The Rotobin is intended for storage and conveyance of powders, seeds, granular and flake materials. It is a one-piece, seamless container produced in 600, 800, 1,000 and 1,900 litre capacities, with a 450 mm diameter lid at the top (sealed by a specially designed cover) and a 250 mm diameter sleeve outlet at the base.

Very smooth inner surface of the bin allows free out-flow of contents and the maker says the product is ideal for direct feeding of solid raw materials into production machinery.

There are two versions of the Rototainer: round (and static) model comes in 1,500 to 10,000 litre capacities; the horizontal container, in 1,000, 2,000 and 500 litre capacities, is available on fixed pallets, forklift entry pallets (1,000 litre and 2,000 litre only) or on a mobile stillage with wheel base.

Both types have been specifically designed for bulk storage of products such as acids, chemicals, liquid fertilisers, adhesives, wax and foodstuffs.

All these containers withstand ultra violet radiation and chemical corrosion, says Leer. The whole range also carries the FDA (Food and Drug Authorities) approval.

HANDLING

A WEST Yorkshire plant hire and sales company which won the sole agency for the UK and Northern Ireland for Dutch Hek's mobile lifting platform, the MS 2000/12, is now going to manufacture the majority of the equipment here.

In the six months that it has promoted the Dutch equipment, A. W. Pemberton and Co., of Pontefract, says the platform has proved to be a winner, both in price and performance.

The British company is negotiating a contract with a Lagos, Nigeria, construction company to supply the first Anglo/Dutch equipment for use in a number of new building projects.

Advantages claimed with the mobile platform included increased production and great reduction in operator fatigue: the height of the platform can be varied in millimetres to effect ideal working height (thus reducing the possibility of spinal injuries, says the company), and the erection time of the platform is only a fraction of the time needed for traditional scaffolding.

Over 200 machines already sold in Holland and abroad are used for a variety of projects ranging from masonry to installation of air-conditioning and central heating, and many tasks involved in a construction site.

More on 0977 74706.

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Building and Civil Engineering

£7m extensions to hospitals

THREE HOSPITAL building contracts totalling more than £7.3m have been awarded to Shepherd Construction, York. They comprise new ward blocks for Hartlepool General Hospital and Northampton General Hospital and a geriatric day unit for Gloucester Royal Hospital.

The largest of the three, worth £5.1m, is that at Hartlepool. It comprises a new ward block with podium, ancillary buildings, a boiler-house extension and external works for the Northern Regional Health Authority. Mr. B. L. Anderson, regional architect, will be responsible for the design. Completion is due in January 1984.

The contract for Phase 2B of Northampton General is with the Oxford Regional Health Authority. Worth nearly £1m, it comprises three wards, kitchen and links in a single-storey block together with external and drainage works. It will be carried out by the company's Northampton Area in a joint venture with Shepherd Engineering Services, which will install mechanical and electrical equipment with an additional contract value of nearly £500,000.

The architects are Yorke Rosenberg Mardall and the quantity surveyors Davis, Belfield and Everest. Completion is due in May next year.

At Gloucester Royal the contract is worth more than £1.25m. Shepherd will build the three-storey geriatric unit and day hospital, together with an adjacent car park, forming Phase 4C of the Royal's development plan for the South West Regional Health Authority. The project architects are Burrough and Hannam Group Practice, Bristol.

Carreras Rothmans has awarded a contract worth more than £1m to Shepherd to carry out Phase 2 of a major factory alteration at Spennymoor, Co. Durham. It comprises erecting a steel frame within the existing factory building and a two-storey extension, including the laying of a structural concrete floor, additional ground-level loading doors, windows and walling. It is due for completion in the late spring.

£10m silicon chip plant started

CONSTRUCTION of a silicon chip manufacturing building at Duffryn near Newport, has just been started under a management contract worth about £10m awarded to Laing Management Contracting by Inmos.

The exposed-steel frame building is being built on a 30-acre site and will have an internal floor area of about 88,000 sq ft. It will comprise single storey offices, laboratories and a manufacturing area located each side of a central spine carrying the service plant.

Foundation work will call for extensive ground stabilisation prior to forming concrete pad foundations, says Laing, and a reinforced concrete floor slab is to be cast after the main structure is erected.

External features will include car parking and landscaping and nearly all existing trees on the site will be retained. Completion is due by the spring of 1982.

Architects for the scheme are Richard Rogers and Partners, consulting engineers are Anthony Hunt Associates (structural) and YRM Engineers (mechanical and electrical). Quantity surveyors are Hanscomb Partnership.

£5m Border Engineering contract

A TWO-LANE road on the A66 to by-pass Bowes village, 16 miles north-west of Scotch Corner and four miles from Barnard Castle, is to be built by Border Engineering Contractors, Whitehaven, a subsidiary of the London and Northern Group, under a contract valued at £5m for Durham County Council.

The by-pass will be 2.8 km long and 2.3 metres wide, with additional paved marginal strips and grass verges. The contract includes improvements to the existing road to form a dual carriageway 3.8 km long and the building of two bridges and three under-passes. Completion is due early in 1983.

Border Engineering has also been awarded contracts in North West England and Southern Scotland. They include workshop units worth about £180,000 at Maryport for English Industrial Estates Corporation, property extensions worth £175,000 for West Cumberland Farmers at Hexham, Northumberland, adaptations worth £78,000 to provide a probation office at Preston for Lancashire County Council, and redevelopment works worth £29,000 for Ettrick and Lauderdale District Council at Galashiels.

Also in Scotland, T. M. Simpson, Blantyre, has been awarded a £150,000 contract for plumbing and heating installations in 100 houses at Bellshill. The main contractor is Firholm Builders for Motherwell District Council.

Factories and refurbishment

EIGHT advance factory units, with access roads and external works, are to be built by Wimpey Construction at Riverside Park Industrial Estate, Middlesborough, under a contract valued at nearly £600,000 with the English Estates Corporation. The units are in two blocks and in three sizes (16 metres by 24 metres, 18 metres by 30 metres and 18 metres by 18 metres) all with integral toilet facilities.

The structures will be steel-framed with brick, blockwork and sheet metal cladding. Completion is due next August. The architects are the Johnson Turnbull Partnership, the structural consultants White Young and Partners, and the quantity surveyors Turner and Townsend.

Wimpey's Luton office has won two refurbishing contracts together worth more than £1.5m. The larger, valued at £1.3m and awarded by the London Borough of Haringey, covers the installation of new windows, central heating, rewiring, and new kitchens and sanitary fittings in 99 flats on the Reed Road Estate, London N17. Completion is due next January

The other contract, at Milton Keynes, Bucks., placed by General Motors and worth £240,000, covers the fitting-out of a two-storey office block and preparatory work for a computer installation. It includes air-ducting, false floors, double-glazing and mechanical and electrical work. Completion is due by the end of next month.

Homes and shops

HOUSING for up to 88 elderly people is to be built in Warrington under a £750,000 design-and-build contract awarded to Farrow Construction (Northern), a Lovell Construction company, by Warrington New Town Development Corporation.

It comprises 51 timber-framed bungalows built in blocks of two and four and a three-bedroom warden's bungalow at Cinnamon Lane. Each dwelling will have its own gas-fired central heating and a warden call system for emergencies.

A former public house located in a shopping precinct in Northwich, Cheshire, is being converted under a £250,000 contract awarded to Farrow Construction (Northern) by Dixons Commercial Properties. The work involves some demolition, alterations and refurbishment of the two-storey timber-framed house, built early in this century, and the building of an extension to provide two retail shops with a total of 1,000 sq metres of sales and storage space. The shops will be completed to shell stage.

Awards to Gilbert Ash

THE Scottish Postal Board has awarded a management contract worth £4.5m for a mechanised letter sorting office at Brunswick Road, Edinburgh, to Gilbert Ash Management, a Bovis company.

This, together with a shopping development at Blantyre in Strathclyde Region and alterations to premises in West George Street, Glasgow, both carried out under prime cost plus fixed fee contracts, brings the total of work awarded to over £5.5m.

Fairclough wins £23m contracts

TWO important contracts together worth more than £23m have been awarded to Fairclough Construction Group. One of them is an £11m order to build the new Colchester District General Hospital, awarded to the company's East Anglian Division by the North East Thames Regional Health Authority. It involves the construction of a two-storey clinical building, a three-storey ward block and a two-storey service building.

A private street will link the three blocks, each with a reinforced concrete frame, and give direct access to lifts and staircases. An accident and emergency department, geriatric and day-care beds, operating theatres and X-ray departments will be among the facilities provided.

The contract includes landscaping, access roads and a car park. Work is due to begin next month under a three-year construction programme. The architects are the Percy Thomas Partnership and the quantity surveyors James Nisbet and Partners. Harrison and Sutherland are the consulting structural engineers.

Fairclough's other new major contract, worth £12.4m, is to build 3.5 kilometres of dual two-way motorway between Eccles and Salford for the Greater Manchester Council.

Being carried out by the Northern Division of Fairclough Civil Engineering, it will include bridges, slip roads, an extensive retaining wall and an interchange with other roads. Work began on January 20 and is due to be completed in the summer of 1983.

The consulting engineers are G. Mounsell and Partners, London.

Work in the south-west

FOUR contracts, totalling £3m in the south-west of England have been awarded to Bush and Tompkins.

The biggest, worth £1.4m is for British Aerospace and is for a new machine shop and stores at Hamble, Hants. Completion is due in 45 weeks. At Motcombe, Wilts, the company is to upgrade an abattoir to meet European Economic Community standards. The work is valued at £665,000 and is for Case and Son.

The other two jobs are both design and build contracts. One is for a vehicle maintenance depot at Christchurch which will cost £330,000 and the other worth £600,000 is for a chilled distribution store at Chippenham, Wilts, for Unigate.

Orders for Bison

NEARLY £1m worth of precast concrete compenents have been ordered from Bison Concrete. One order is for a column and beam structure with exposed aggregate external panels for a three-storey archives block and car park adjoining Caernarvon Castle. Value of the contract is £462,000.

The second order is for a column and beam structure for a packaging hall and keg warehouse at Bass Charrington's brewery at Alton, Hants, with steel work by Bison's sister company Banister Walton. The concrete structure is programmed to be erected in 10 weeks and the steelwork in 14 weeks. Value of this to Bison is about £400,000.

£3.4m Tesco award to Costain

A SUPERMARKET in Westgate, Harlow, Essex, is to be built by Costain Construction under a £3.4m contract with Tesco Stores. It comprises the building of a three-storey store, with plant rooms on the second floor and roof, finishings, mechanical and electrical installations, external works, boundary walls, paving and drainage.

Work on site has begun and is due for completion early next year. The architects are Frederick Gibberd and Partners, the structural engineers Felix J. Samuely and Partners, and the quantity surveyors Langdon and Every.

£2m mixture of work for Mansell

WORK totalling more than £2m is to be carried out by R. Mansell, Croydon, on projects in London. The largest contract is for the building of a new block of flats in Ponsonby Place, SW1, for the Crown Estate Commissioners. Valued at £805,000, the work is due to be completed in 15 months.

At Faraday Buildings, EC4, Mansell is to carry out refurbishing work, including the renewal of lifts, for the Property Services Agency under a contract valued at £690,000. Completion is due in February next year.

Mansell says that its work at hospitals, including the Great Ormond Street, Moorfields Eye, and St. Stephens, is valued at £300,000, while its orders from commercial companies, valued at £500,000, include work for Barclays Bank, National Provident Institution, Phoenix Assurance, Tozer Kemsley, and Warwick Wright Motors.

Making the best of poor soil

IT IS not necessary to engage in expensive piling or deep excavations to develop sites with poor soil conditions since the introduction of vibratory techniques

GKN Keller, has been using its own method on a £140,000 contract at the Crabtree Industrial Estate, Thorpe, near Staines, Surrey.

The site of a new metal storage and processing centre for R. J. Coley and Sons (Hounslow), it was originally a gravel pit which filled with water after being worked out. It was then backfilled by tipping of industrial and domestic refuse and was badly overgrown.

The essential problem in foundation design, says the company, is to select the most economical method of supporting the structure above in complete safety. On reclaimed industrial land or other sites covered by fills and soft or loose soils (where conventional shallow foundations cannot be used) the common—and costly—solution has been to carry the building loads down to strong soils either by piling or deep excavation.

Vibro techniques compact and strengthen weak soils enabling the ground to support heavy loads and offer benefits of speed,

The basic tool used for this work is the depth vibrator—essentially a poker weighing about two tons. Vibrations are produced within the poker by eccentric weights driven by an electric motor on a vertical axis.

Suspended from a tracked crane, the vibrator penetrates the ground under its own weight, assisted by the vibrations. The basic length of the vibrator is about five metres, but extension tubes can be added easily to meet the needs of any particular site. Flexible leads carry power to the vibrator either from a portable generator or direct from the mains.

The two stabilisation techniques employing the depth vibrator are vibro replacement and vibro compaction: when the vibrator penetrates through weak soils to its desired depth, it is withdrawn and a small quantity of graded stone aggregate is tipped into the hole. The vibrator is lowered again to compact and infill and interlock it tightly with the surrounding soil.

This cycle is repeated until a compact stone column is built up to ground level, and the effect of installing a number of these columns is to strengthen the surrounding soil.

Some ground conditions, such as waterlogged soils or soft silts, are unsuitable for treatment by this method, thus vibro compaction is needed. Essential feature here is that high pressure water jetting from the tip of the vibrator is used to assist penetration and flush out unstable soils.

When the vibrator has reached the required depth, the machine is rapidly surged up and down to allow the jetting action to remove the soft materials. Following this, the water pressure is reduced and granular fill is added in stages as the stone column is built up to ground level.

The company says that vibro techniques may be used to carry out stabilisation down to 20 metres. Safe bearing pressures of more than 150 kN/sq metre (or 1½ tons a square foot) can be achieved, depending on soil conditions and settlement criteria.

In the company's Dynamic Consolidation technique, the ground is compacted by repeated surface tamping using a heavy steel and concrete weight (usually between 10 and 20 tonnes falling between 15 and 25 metres).

Particularly effective in granular material, the process has also been used successfully for a wide variety of soil types, giving substantial improvement in soil strength to depths up to 12 metres.

DEBORAH PICKERING

IN BRIEF

● The Kent River and Water Division of the Southern Water Authority has awarded a contract valued at £7m for construction of Thames tidal defence works, between Higham and Vades Sluice, to Peter Birse.

● A £595,000 contract has been won by Bovis Civil Engineering in East Anglia. It covers sub-structural civil engineering work on the Tebbits Bridge booster pumping station, five miles south-east of Peterborough, for the Middle Level Commissioners (Cambridgeshire).

● Completion of 70 flats at Knyveton Road, Bournemouth, is to be carried out by James Drewitt and Son under a £703,000 contract awarded by the Bourne Housing Society.

● The 1981 edition of the Concrete Year Book, is now available from the Publications Sales Unit, Cement and Concrete Association, Wexham Springs, Slough SL3 6PL. The price is £10. The 575-page year book gives general information, including the names of key personnel in the industry and lists consulting engineers, contractors, suppliers of plant and ready-mixed concrete, precast concrete manufacturers, and specialist services.

A SUPERMARKET and office complex in the High Street, Uckfield, Sussex, is to be built by Y. J. Lovell under a £648,000 contract awarded by Peerland Properties. The supermarket, to be completed to shel stage for Key Markets, will have a ground floor sales area of 1,453 sq metres and about 938 sq metres of storage and office space above. The 142 sq metres of lettable office accommodation on the first floor will be completely fitted out.

The building will have a steel frame with brick cladding and vertical metal cladding above. Clay tiles will be used to roof the office area, while the rest of the building will have metal-decked roofing on steel purlins.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Where marketing and technology go hand in hand

Nicholas Leslie analyses why Foseco Minsep, a specialist British company, has developed a strong worldwide network

THE imposing building that houses the headquarters of Foseco Minsep in London's Queen Anne's Gate, overlooking St. James's Park, suggests a company rooted in British tradition. The equally imposing figure of Dr. David Atterton, the company's tall and elegant chairman, adds weight to this impression.

Yet it would be hard to find a British-based group that is not only more truly international than Foseco Minsep, but that also embodies many of the qualities that British industry needs if it is to compete in the changing industrial world.

Foseco has shown itself over many years to be highly innovative in the development of specialist products and processes—in its case those which improve efficiency in the foundry and steel industries. It has also successfully developed a reputation for exploiting the ideas of independent innovators, to both their and the company's advantage.

At the same time, by assiduously increasing its penetration of world markets, Foseco has time and again confounded the forebodings of forecasters that its business with a mature industry (steel) was bound to be hit by declining production in the UK and elsewhere in Europe. It has also managed to avoid being badly caught at the wrong end of currency fluctuations by concentrating on overseas manufacturing rather than exports.

Foseco's efforts have been rewarded by a record of steady growth. Over the past 10 years, sales have risen from just under £40m in 1969 to nearly £230m in 1979, and pre-tax profits from £5.5m to £18.4m. Earnings per share have also risen every year in that period — from 5.6p to 20.7p — and there seems no real reason to believe that this pattern will have been dramatically disrupted in 1980.

Behind this performance lies a business philosophy that encourages an entrepreneurial approach throughout the company towards the creation of new products and the expansion of markets, together with a dedication to problem solving. A clue to the unusual nature of Foseco lies in the fact that the group comprises numerous fairly small units that are largely self-governing. The smallness of the group companies—a deliberate policy according to Atterton—is an essential element in the company's ability continually to generate new products, which are Foseco's lifeblood, as well as providing opportunities for up-and-coming young management.

In addition to its foundry and steel business, the group makes specialised products for the building and construction industries. It has operations in 31 countries and sells its products to over 100 countries. Its subsidiaries outside the UK account for over 70 per cent of group sales; and of the UK sales around 20 per cent are exports.

Expertise

There are around 50 Foseco companies outside the UK and some 40 inside, although this excludes Unicorn Industries, the major diamond products and abrasives manufacturer which Foseco acquired last year in the biggest single expansion move in its history. Thus it is almost an understatement for Tony Chubb, the group managing director, to describe the group as comprising "a lot of relatively small operations, widely spread."

One of the most significant factors that justifies holding up Foseco as an example of the type of company Britain needs to sustain its industrial future is that it is essentially selling technology and expertise.

Products it may have in abundance, but what Foseco believes gives it the edge over the competition is the sheer depth of *knowledge of problems* associated with the foundry and steel industries, and its ability to solve them.

It might bethought that after nearly 50 years in the foundry business there would be no new *problems to solve*. But, as Warwick Roberts, the director responsible for foundry support operations worldwide, points out, the foundry business is constantly changing. For instance external factors, such as the growing need for energy conservation, have opened up new opportunities.

For an innovative company, though, Foseco seems to spend surprisingly little on research and development—around 2 per cent of sales revenue for its central RYD programme, according to Atterton. This does not include the work done in field trials or by local companies.

Atterton's view is that "we don't believe we have got to do an enormous amount of R and D. Some of our best products have been developed by others. We believe in having a network of contacts so that we know what is going on in industry, universities and such."

Part of this network is a general advisory council — whose members include key directors of eight major European and American companies —and a technical advisory council, comprising senior academics at six UK, one Welsh and one German universities.

Significantly, Atterton also says that "we believe that what we are best at is exploiting and marketing products internationally. The weight of the company is in marketing rather than technology."

If this appears to push the group's efforts in product development into the background, despite the large number of chemists, metallurgists and other technically-qualified people who hold key management positions, the reality is rather different. The fact is that a considerable amount of Foseco's development work is inextricably intertwined with marketing since many of Foseco's own product developments result from problem-solving that is carried out on site, and that does not always show up in the R and D budget.

This, according to the accounts of some of the younger management, is what makes the company attractive to work for. It is not unusual for a newly-recruited graduate to be sent out into the field within a year or so of joining Foseco to test a product or process which he has either instigated or worked on closely in a laboratory. Thus, a UK recruit might spend anything between a fortnight to over a year in, say, Sweden or South America. It could just as easily be a German recruit sent off for a spell in Japan.

This throwing into the deep end of young executives is a facet of Foseco's style that breeds a rather unusual type of "entrepreneur;" one who is extremely eager to pitch into the unknown, but who prefers to do so within a sizeable corporate structure.

A case in point is Tony Parry who, barely a year after joining Foseco, "rather cheekily" (as he puts it) sought the general managership of the company's embryo Taiwan operation. Parry, a metallurgist, did not get the job, but he was instead offered two years in Japan. From there, he went on to South Korea where he set up Foseco's company to build upon sales already established there through an agent. Foseco, he says, was "the first British manufacturing joint venture to set up in Korea." That was in 1971 when Parry was just 26.

One factor — communications —is crucial to the group's ability to allow the subsidiaries considerable management autonomy, and yet ensure that there is a cross-fertilisation of ideas so that new products and processes keep coming through.

In today's industrial climate much is being said about the importance of communications but far less is being done. So Foseco's highlighting of the subject could be dismissed as being merely a fashionable move. But there is plenty of evidence to suggest that the company pays a great deal more than lip-service to the matter.

The need to communicate is brought up frequently in conversation with company executives at many levels. And, as Bob Jordan, a main Board director who heads the U.S. end of the group, remarks: "Communication is hard. You've got to work at it all the time or it collapses." And, forestalling any accusation that the company's *belief in the quality of its communication* might make it susceptible to apathy, he adds: "We've got room to improve."

In pursuance of greater communication, many of the main Board directors — including Atterton — as well as other key senior executives, spend an unusual proportion of their time travelling. It is not, though, a one-way traffic from the UK. Directors and executives from other group countries around the world also visit *different parts of the group. It is* clearly expensive — costing around £1m a year — but everybody, including the finance director, Peter Welch, believes it is cost effective and can be shown to be so.

Foseco's management structure is split along product and administrative lines, the latter laying down performance targets and ensuring they are met, with the former co-ordinating the development of new products — be they in-house or "bought in" — or the refinement of existing products to *meet specific local needs*. Significantly, when a new product is developed in one part of Foseco's worldwide network, it does not automatically become a group product—it has to be "sold" to other subsidiaries, thus *providing* an in-house test of its potential.

Though strong financial control is administered from the centre the general principle is that subsidiaries should be self-sufficient both in working *capital and capital investment*.

By and large each group company's performance is assessed in its local currency and not in sterling terms. So, even if a subsidiary is performing well enough on a month-by-month basis according to its own budget but is reflecting an adverse trend on a sterling basis, no major compensatory action would be taken.

On the other hand, though the general aim is that each group company should be self-*financing and should borrow* locally, on occasions the strength of sterling may influence which of a variety of currencies is chosen for funding capital investment by a subsidiary.

Atterton's comment on the degree to which autonomy is given to group companies is that "there is always a difficult line between delegation and abdication of responsibility." He believes that in Foseco "there is substantial autonomy, but it *does have to be earned*."

Clocking up a prodigious mileage each year in air travel to maintain close links with group subsidiaries round the world are Foseco Minsep main board directors (left to right): Dillwyn Davies, who is responsible for foundry activities worldwide; Bob Jordan, responsible for steel and who heads the U.S. company; David Atterton, chairman; Tony Chubb, group managing director; and Peter Welch, financial director

How it all began

The basis of Foseco's decentralised, worldwide philosophy was laid down over 30 years ago by Sir Eric Weiss, who headed the group for many years and is now the company's life president. The group has its roots in Foundry Services, which was set up in 1932 to make additives designed to improve the efficiency of foundries. In the following decade an association began with Mineral Separations, an industrial investment company that put money into Foundry Services. This culminated in a merger in 1969, five years after Foundry Services—by then Foseco Ltd.—had become a public company.

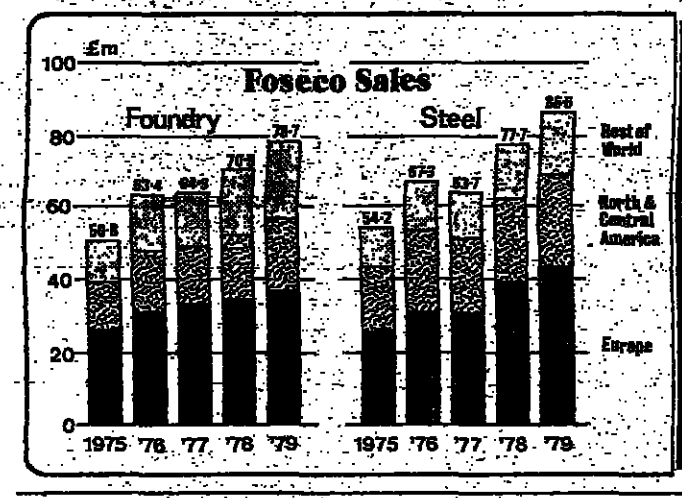
By the early 1950s Foundry Services had begun its quest to spread worldwide—early forays being made into France and Canada—at the instigation of Sir Eric, who spotted the potential that existed in many overseas markets for Foseco's services. It was a business that has subsequently proved to be very resilient in times of recession. This was largely because additives represent only a small part of the total cost of foundry and steel-making activities, yet can produce considerable cost savings. Also, as Atterton is quick to point out, Foseco is serving, in the case of steel, an industry that on a world-wide basis is still growing despite falling output in some major industrial countries.

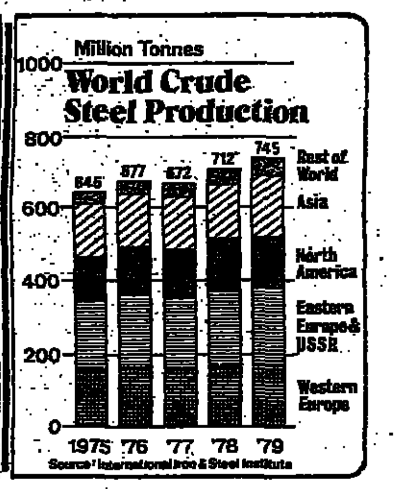
Today, Foseco is beginning a new era with the addition of Unicorn Industries, which it bought for £40m last year. It will form a fourth leg to the group—the others being Fosroc (building and construction products) and Fosmin (a special interests division described as the "nursery for new business opportunities"), together with foundry and steel.

"Our first job is to get an appreciation of that business," comments Atterton, though a broad understanding obviously existed before a decision to buy was made. Atterton sees Unicorn's diamond products and abrasives businesses as compatible with Foseco's and says that "its manufacturing processes are not that different from ours."

Some changes have already taken place—for example, management being strengthened in an overseas subsidiary with local nationals being appointed and given more autonomy. "We will certainly change things," says Atterton, "but they may also change things here at Foseco."

Illustrating this point, Tony Chubb sees the possibilities of cross-fertilisation. "Unicorn is more cash-conscious, but Foseco is more margin conscious. What we will probably do is integrate the best of both."





LOMBARD

A monetary trap for Thatcher

BY SAMUEL BRITTAN

READERS WILL know of my impatience with those who become so bogged down in the technicalities of measuring and controlling the money supply that they lose sight of strategic aims.

These are to secure a reduction in the growth of total spending or money GDP to a rate consistent with low inflation and reasonable output growth.

But when people who are fundamentally opposed to the whole strategy use the technical debate to try to push the Government off course one must answer back in kind. The Bank of England has nearly always tried to pick on whichever measure of money or credit has shown the lowest increase. This is an old trick, and those who fall for it deserve what they get.

Pretext

The dangerous new development is that one particular school of thought of impeccably "monetarist" credentials has chosen to emphasise a particular set of numbers which suggests that so far, from having over-run its target the Government has unwittingly imposed a ferocious monetary squeeze; and that this squeeze is responsible for sterling "overshooting" its equilibrium rate.

These conclusions are being used within the Conservative Party to provide a pretext for succumbing to the siren songs from industry to embark on a Heath-style monetary binge in an attempt to get the exchange rate down.

The diagnostians of a savage squeeze look at the so-called "monetary base." This consists of bankers' deposits with the Bank of England, till money and public holdings of notes and coin. According to London Business School estimates, the growth of base fell from 15½ per cent in 1978 to 8½ per cent in 1979 and 5½ per cent in 1980 (fourth quarter on fourth quarter).

There is, of course, a good case for the Bank of England controlling the monetary base and allowing interest rates to be set by the market. But up to now the Bank has stood ready to provide the banks with any desired level of reserves and used interest rates as its policy weapon. Figures of base are therefore of highly dubious value.

It so happens that they *have* moved very much in line with M1—the narrow money supply which excludes deposit (that is, savings) accounts. Indeed, many of the advocates of relaxation look directly at M1.

But they are quite wrong. Just as sterling M3 can give an exaggerated idea of monetary profligacy the M1 figures give an absurdly exaggerated idea of tightness. The very simple reason is that people will switch to deposit accounts, which are outside M1, when interest rates are high.

In the last phase of the Heath era in 1973, M1 actually fell from a 14 per cent to a 6½ per cent growth rate. But this did not prevent inflation from rising subsequently to 16 per cent in 1974 and 24 per cent in 1975. A rise in M1 growth to an average of 17 per cent in 1975 to 1977 did not prevent the rate of inflation from falling to 8 per cent in the last Healey year of 1978. Sterling M3 with a two-year lag, while far from perfect, gave a much better guide.

The pound has been strong not because of the domestic squeeze or high interest rates alone, but because of strong overseas portfolio demand. This is related both to OPEC surpluses and to a confidence devised from UK possession of North Sea oil. The view that sterling has been overshooting depends on the assumption that the foreign exchange market is efficient, but that the domestic capital market is not.

Instability

Even among economists, who accept the theoretical possibility of overshooting, many would deny very strongly that central banks know enough about the true rate either to intervene directly or to adjust monetary targets without merely introducing fresh instability. Above all, there is the danger of giving those who set wages and prices domestically the impression that the brakes are off and that they can go back to old cost-push habits.

On the contrary, the best hope lies in putting the medium-term financial strategy back on course.

Tax avoiders see another capital gains loophole shut

THE WEEK IN THE COURTS

BY JUSTINIAN

IN THE week that the civil libertarians received a severe knock from the Court of Appeal in its decision that the legal officer of the National Council of Civil Liberties committed a serious contempt when she let a journalist from the Guardian look at confidential documents given her by the Home Office during litigation, the tax avoidance industry took another tumble at the House of Lords.

Just before Christmas the Lords in *Chinn v. Collins** had held that a tortuous "contingent interest" scheme, once realistically unravelled, revealed a settlement under which the taxpayer was the beneficiary so that an interest appointed under the settlement amounted to a bounty in his favour. A deliberate attempt to avoid capital gains tax by the device of appointing overseas trustees thus fell flat on its face. Now in *Roome v. Edwards* the same kind of "contingent interest" scheme, with two significant differences, met a similar fate.

First, none of the "*short cuts*" that figured in (or rather disfigured) the scheme in *Chinn* had been taken. The trust assets were truly taken over by the obliging foreign company, which in due course sold them at arm's length to a third party. Hence there was no argument that the real beneficiary at the crucial time was anyone other than the foreign company, nor was there any argument founded on there being an "arrangement."

Second, the advisers who concocted the scheme omitted to notice one little snag in their path. This was an obscure provision in section 25 (11) of the Finance Act of 1965, and it proved to be their undoing.

The statute provides that, "where part of the property *comprised in a settlement* is vested in *one* set of trustees, and part in another, they shall be treated as together constituting and, in so far as they act separately, as acting on behalf of a single body of trustees." To appreciate the relevance of this snag it is necessary to state the facts in *Roome v. Edwards.*

Under a settlement made in 1944, property—including realty in Lincoln's Inn, which was to rocket in value to well over £1m—was settled for life on a married woman, followed by a protected life interest for her husband, with a special power of appointment which they could exercise in favour of their children (plus other usual provisions).

In 1955 that special power was exercised so as to appoint about £13,000 worth of property ("the 1955 fund") in trust for the elder of two daughters when she reached the age of 25. (If she died leaving children, they took the 1955 fund; if she died childless the 1955 fund fell back into the main fund.)

The primary question was: had a separate settlement come into existence in 1955? The Special Commissioners, Mr. Justice Brightman and the House of Lords said emphatically, no. It is a well-settled principle of law that the exercise of a special power of appointment merely fills up a blank in the head settlement, so at that stage both the main fund and the 1955 fund were certainly within section 25 (11)—two parts of "property comprised in a single settlement."

The Court of Appeal had taken a different view and held that the scheme of capital gains tax required that different property, held on different trusts for different beneficiaries simply had to be property comprised in different or separate settlements.

Lord Wilberforce in the House of Lords acknowledged that might be a sensible prescription for a legislature intending to set up a capital gains tax, but it was not what the 1965 Finance Act, on a reasonable construction, had done. The legislature took a more straightforward approach: it attached liability to pay capital gains tax to the trustees of settlements, not to funds held on distinct trusts and, in contrast to estate duty, it did not concern itself with questions of incidence of the tax between beneficiaries or funds within a settlement.

There was in any event a disturbing logical consequence of the Court of Appeal's view. When property changes hands—as it must do from one settlement to a different, separate settlement—there is an instant charge to capital gains tax. Naturally, every solicitor in the country since the Court of Appeal's decision in November, 1979, has been scared by this consequence, which was inescapable if the Court of Appeal's view prevailed.

The reversal of that ruling by the House of Lords will therefore come as a welcome relief to the legal and accountancy professions. As Lord Wilberforce observed: "Such a multitude of charges to capital gains tax would in effect paralyse the working of settlements."

The rest of the tale is easily told. The beneficiaries of the main fund, blithely assuming that section 25(11) was innocuous, went through the "contingent-interest-scheme" procedure. Foreign trustees were appointed, the beneficiaries located an obliging foreign purchaser of their contingent interests, the foreign purchaser became absolutely entitled to the trust assets—now worth more than £1m—and expected the Inspector of Taxes to concede that the statutory loophole *had been* well and truly exploited.

The Inspector, it was assumed, could not in law assess either the foreign-resident trustees of the main fund or the foreign resident beneficiary. The Inspector's riposte might have been unpredictable to the unwary, but it proved to be right.

Pointing to section 25(11), he assessed the *UK residents* of the 195 fund as representing the trustees of the single settlement in which were comprised both the 1955 fund and the main fund. He was vindicated in the House of Lords.

What about the UK resident who became a trustee of the 1955 fund in 1972 and never had anything to do with the main fund? It was strongly argued on his behalf that it would be monstrous to saddle him with a liability to capital gains tax much greater than the entirety of the funds in his hands. (The 1955 fund was worth about a thirtieth of the main fund.) The truth was not quite as bleak as all that.

When the realty owned by the obliging foreign company was sold, there was found to be what it called "an unexpected surplus" of some £600,000. The company politly inquired what the beneficiaries would like it to do with the monies. So the Inspector was reasonably certain that the family had more than enough in hand at the end of the day to ensure that the innocent trustee did not suffer.

But what about other cases, where a trustee is in danger of being left in the lurch by beneficiaries who are either resident abroad or are not gentlemen, or both? Lord Roskill pointed up the risk. He said: "Persons who accept appointment as trustees of settlements such as these are clearly at risk under the 1965 Act and have only themselves to blame if they accept the obligations of trustees without ensuring that they are sufficiently and effectively protected, whether by their beneficiaries or otherwise, for fiscal liabilities which may fall upon them personally as a result of the obligations which they had felt able to assume."

Trustees may utter a sigh of relief and gratefully accept the warning. But the tax avoiders have no such comfort; a loud alarm bell is ringing that the courts are determined to act against tax avoidance schemes.

* *[1981] 2 W.L.R. 14*

High hopes for Colin Brown

RACING

BY DOMINIC WIGAN

ALLY BROWN, who did his best to galvanise Night Nurse for a winning thrust at Sandown on Saturday, has already established a formidable reputation.

Less is known of Colin Brown. However, if his riding of Fortune Cookie in the Spring Hurdle is anything to go by, he, too, should soon be getting equally good opportunities.

I have seldom seen as brilliant a ride as that by Colin Brown on the David Elsworth nine-year-old. Although Colin Brown must have been as aware as anyone that Fortune Cookie had been the subject of a major gamble throughout the morning (being backed from 33-1 to 8-1), he was prepared to dictate a fast pace from the outset on the St. Paddy gelding, who had not been seen on a racecourse since the autumn of 1979.

Furthermore, he proved equally astute in keeping a little up his sleeve. This reserve nearly proved decisive. Fortune Cookie rallied in remarkable style on the run-in to get back within half a length of Veramente.

Colin Brown, for whom it is to be hoped that the 1980-81 campaign will see him easily surpassing his previous best total of 14 achieved two seasons ago, is getting most of his opportunities through Elsworth's stable. However, that trainer's most notable "flag bearer," Heighlin, has been ridden on all his appearances this term by Steve Jobar.

It is more probable that Brown will notch his biggest success to date on either that smart novice chaser, Acrow Lad, or on Comb's Ditch, a five-year-old going from strength to strength, over hurdles.

The most interesting event today could be Fontwell's Findon Handicap Chase. Here, Glenhawk, who won the Chichester Hurdle on the same afternoon 12 months' ago, will be trying to land his fourth Fontwell win for Ryan Price, the wizard of Findon.

An ultra-consistent sort, Glenhawk will go well, but a more experienced handicapper, the two years' older Dutchman ridden by Francome, is preferred.

The other likely winners look to be the recent Ascort scorer, Sandhaven, who has the second rate Cilium to beat in the Chichester Novices Hurdle, and Mizzenhead who is one of Robert Sangster's few jumpers in the north.

FONTWELL
1.30—Spareon
2.30—Dutchman
3.00—Sandhaven**
3.30—Another Duke
4.00—Lucky Vane

STOCKTON
1.15—Barrow*
1.45—Chartered Course
2.45—Mizzenhead***

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S 836 3161. CC 240 5258. ENGLISH NATIONAL OPERA. Tomor. 7.30: Romeo & Juliet. Wed & Sat 7.30: Madam Butterfly. Thurs 7.30: Cinderella. Fri 7.30: Tosca. 104 balcony seats avail from 10 am on day of perf.

THEATRES

PALLADIUM. 01-437 7373. Evgs. 7.30. Mats. Tues, Wed, Thur, and Sat. at 2.45. JIM DAVIDSON. MOLLIE SUGDEN. WINDSOR DAVIES. MELVYN HAYES. CLIVE DUNN. LIONEL BLAIR in DICK WHITTINGTON. Book now Box Office and all agents. Credit cards accepted.

... Tomor 7.45 THE TICKET-OF-LEAVE MAN by Tom Taylor. Excellent cheap seats from 10 am day of perf all 3 theatres. Car park. Restaurant 928 2033. Credit card bkgs 928 5933.

OLD VIC. 928 7616. CC. 261 1821. S. Until Feb. 14. Mon. to Sat. Eves. 7.30, Wed. and Sat. at 2.00. THE RELAPSE by Sir John Vanbrugh.

PALACE. S. CC. 01-437 6834. RODGERS & HAMMERSTEIN'S OKLAHOMA! Evgs. 7.30. Mats. Wed. and Sat. 3.00. Group bookings 01-379 6061. Better selection of seats available Mon.-Thurs.

PALLADIUM. 01-437 7373. Openings June 11 (Special Previews from May 29). MICHAEL CRAWFORD in BARNUM. THE SMASH HIT BROADWAY MUSICAL. Postal booking now open.

... carried through with splendid attack" T.L.S. All seats £3.50. Students £2.00 in advance from Aldwych Box Office.

WESTMINSTER THEATRE. S. CC. 01-834 0283. Hugh Manning as C. S. Lewis in SONG OF THE LION. Directed by David Williams. Evgs. 7.45 until Sat.

WINDMILL. CC. 01-437 6312. Continuous perfs. nightly. Including Sundays. Paul Raymond presents RIP OFF! Hotter than ever for 1981. The erotic experience of the modern era. Fifth great year.

WYNDHAM'S. S. 01-836 3026. Credit card bkgs. 379 6565. Mon.-Fri. 8. Sats. 6 & 8.40. Dario Fo's farce ACCIDENTAL DEATH OF AN ANARCHIST.

YOUNG VIC. 928 6363. Eves 7.30. Ton't. Thu ROSENCRANTZ. Tue. Wed. Fri. Sat PYGMALION. Now Bkg RICHARD II.

CINEMAS

ABC 1 & 2 SHAFTESBURY AVE. 836 8861. Sep. Perfs. ALL SEATS BKBLE. 1. FLASH GORDON (A). Wk. & Sun. 2.00, 5.15, 8.15.

CLASSIC ENTERTAINMENT Teledata 01-200 0200

ART GALLERIES

TV/Radio

BBC 1

† Indicates programme in black and white

9.00 am For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 Mister Men. 2.01 For Schools, Colleges. 3.00 When the Bough Breaks. *3.15 Songs of Praise.* 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Touche Turtle. 4.25 Jackanory. 4.40 Playhouse. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Nationwide (London and South East only).
6.55 Triangle.
7.20 Star Trek.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "Lawman," starring Burt Lancaster.
11.00 Film 81.
11.30 In the Post.
11.55-12.00 News Headlines.

All Regions as BBC 1 except as follows:

BBC Cymru/Wales—9.52-10.12 am I Ysgolion: Daearyddiaeth. 1.45-2.01 pm Pila Pala. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.20-8.10 The Walls of Jericho. 11.59 *The Sky at Night.* 12.20 am News and Weather for Wales.

Scotland—11.00-11.20 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.30 16 Up. 11.55 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News Headlines, News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.00 am Focus.
10.25 Working with Young People.
11.00 Play School.
11.25 Write Away.
2.15 pm Let's Go.
2.30 Multi-racial Britain.
3.00 Embroidery.
3.30 Wainwrights' Law.
4.15 Modern Language Teaching.
†5.35 Charlie Chaplin in "The Bank."
6.05 Michael Strogoff.
7.00 Rock Goes to College.
7.40 Mid-evening News.
7.50 Fawlty Towers.
8.30 Grace Kennedy.
9.00 The Hitch-Hiker's Guide to the Galaxy.
9.35 Horizon.
10.25 Evans on Newspapers.
10.50 Newsnight.
11.35 Télé-Journal.

LONDON

9.30 am Schools Programmes. 12.00 Button Moon. 12.10 pm Rainbow. 12.30 Your Chance. 1.00 News. 1.20 Thames News. 1.30 Crown Court. 2.00 The Riordans. †2.30 Monday Matinee: "Kiss Tomorrow Goodbye," starring James Cagney. 4.15 Dr. Snuggles. 4.20 The Sooty Show. 4.45 The Book Tower. 5.15 Money-Go-Round.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Wish You Were Here . . ?
7.30 Coronation Street.
8.00 Shelley.
8.30 World in Action.
9.00 The Sweeney.
10.00 News.
10.30 City!
11.30 Golf: United States v The World.

ANGLIA

12.25 am Close: "Sit Up and Listen," with Jeremy Lloyd.

All IBA Regions as London except at the following times:

1.20 pm Anglia News. 2.00 Money-Go-Round. 2.30 Monday Film Matinee: "Bunny O'Hare" starring Bette Davis and Ernest Borgnine. 5.15 University Challenge. 6.00 About Anglia. 6.30 Movie Memories. 11.30 It's a Musical World. 12.30 am Reflection.

ATV MIDLANDS

1.20 pm ATV News. 2.00 Best Sellers: The Rebels, Part 1. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 ATV Today. 11.30 ATV News. 11.35 Left, Right and Centre. 12.15 am Something Different.

BORDER

1.20 pm Border News. 2.30 Monday Matinee. 3.45 Money-Go-Round. 5.15 The Entertainers. 6.00 Lookaround Monday. 6.15 Wine and Dine. 6.30 Look Who's Talking. 11.40 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. †2.00 The Monday Matinee: "Retreat Hell." 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Channel Report. 6.15 Cartoontime. 6.30 The Amazing Years of Cinema. 10.28 Channel Late News. 11.30 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.00 Best Sellers: "Flesh and Blood" (Part 1). 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 North Tonight. 6.30 Out of Town. 11.30 Living and Growing (preview for parents and teachers). 12.00 The Amazing Years of Cinema. 12.30 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Campbell's Kingdom" starring Dirk Bogarde. 5.15 Mr. and Mrs. 6.00 Granada Reports. 11.30 Swat.

HTV

1.20 pm HTV News. 2.00 Money-Go-Round. †2.30 The Monday Matinee: "In the Dog House" starring Leslie Phillips, Peggy Cummings and Hattie Jacques. 5.15 Mr. and Mrs. 6.00 ...

HTV Cymru/Wales—As HTV West except: ... 11.05-11.20 Am Gymru. 12.00-12.10 pm Ffalabalam. 4.15-4.20 And So Tibet. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92.95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

RADIO 2

RADIO 3

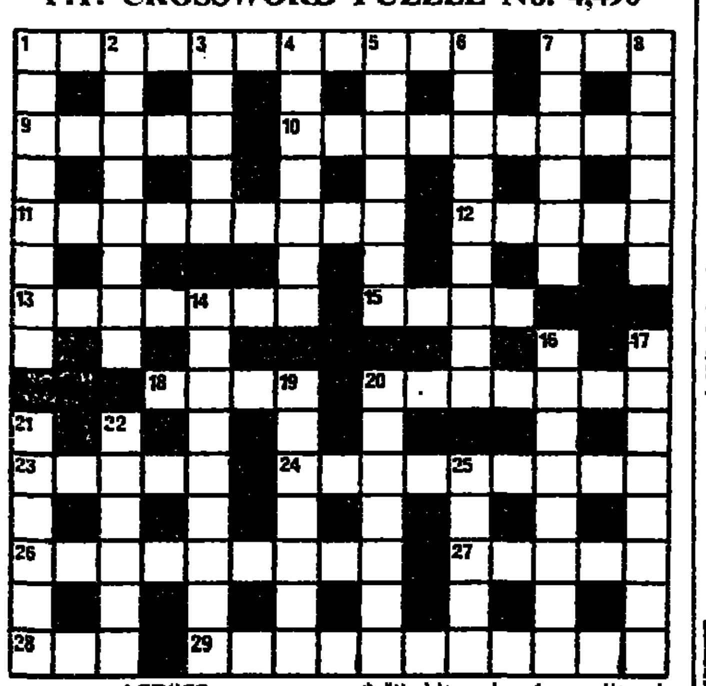
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 4,490



ACROSS

1 Nothing stays the same with paper money back (5,6)
7 Bribe little singer (3)
9 Load vehicle then leave (5)
10 Hey! Spain's becoming endlessly laborious (9)
11 Little bird one left slow to excite (9)
12 The pair of us welcome way cloth is made (5)
13 Found out how strange band-leader showed the way (7)
15 Weed thanks soldiers (4)
18 Mother returns to doctor things to fire (4)
20 Forced Provos to take wine (7)
23 Doctor I will bore (5)
24 See how long creature takes for the present (4,5)
26 Wise place for putting shade (4,5)
27 Pledge by the south to generate (5)
28 What is usually inspired (3) (3)
29 Attendance fit to succeed (4,3,4)

DOWN

1 Silent current has it in whirl (8)
2 Wedding day for auditor by the sea (8)
3 Ruin piano by putting it in earth (5)
4 Save by man of the match (7)
5 No Scots trail coming to life (7)
6 Allowed me to turn up motorised (9)
7 Board having its ups and downs (6)
8 Milk-drinking playwright? (6)
14 Strike over predicament with illumination by the way (9)
16 Go to court provided with 14 over one entrance (8)
17 Edge a student towards fluctuating seat (8)
19 Overcoats last longer (7)
20 Middle East soldiers to be given reminder (7)
21 Poems with sex-appeal in Russia (6)
22 Meddle with measure of whisky (6)
25 Surrounded by live group (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

هكذا في الأصل

THE ARTS

Book review

Poet and composer

by ROBERT MEDLEY

Britten and Auden in the Thirties
by Donald Mitchell. Faber & Faber. £7.70, 170 pages

It is a pleasure to read this informative account of Britten's friendship with Auden. The late-1930s is not an easy period to unravel, and by confining it to Britten's musical development, Dr. Mitchell has made a most valuable contribution in what were originally the T. S. Eliot Lectures delivered at the University of Kent at Canterbury.

Two strands are inevitably interwoven, the extent of Auden's and Britten's participation, as artists, in the crisis of public events, and the poet's idiosyncratic use of private experience for public utterance: briefly their role as teachers providing a voice for the period.

In probing these questions, we are taken back to Gresham's School, Holt, where as a fellow pupil I first met Wystan Auden, and shared with him the experiences which precipitated the moralist and teacher within him. I doubt if Benjamin Britten, at that school later, experienced a similar crisis; for him Gresham's must simply have seemed a bore—an obstruction to his musical growth. Wystan saw education as the "Marriage of Heaven and Hell"; for Britten it was a "Song of Innocence"; an essential nurturing.

Dr. Mitchell does not sufficiently elucidate the essence of what wounded Wystan so deeply at Gresham's; viz the operation of an "Honour" system, under which boys were required to report any occurrences of unseemly conduct by their contemporaries which inhibited a boy's natural development by putting loyalty to the community above loyalty to oneself. This deprivation of what he saw as his inalienable right to be responsible to himself Wystan was later to call "Fascist," and see as precisely calculated to turn boys into neurotic invalids.

I remember once, years ago, Wystan announcing in the ex cathedra tone of voice in which he liked to deliver statements calculated to shock, that "the object of education should be to make the boys as neurotic as possible"; which sounds a wilful reversal but is a paradoxical affirmation; meaning that we have got to learn about ourselves, accept what we know, and act in that knowledge. A hard conclusion.

This characteristic attitude to being and acting, and to the creative process itself, informs the concerned and troubled letter that the poet wrote to the composer on the eve of Britten's return to England from America in 1942. Using the pretext of Britten's retreat, with Peter Pears, from the bohemian disorder of the household that Wystan presided over in New York—there would be plenty of house rules!—and in which the musicians had not found it possible to work, Wystan warns Benjamin that unless he can come to terms with, and accept, the necessary chaos within, then he fears Britten may fall short of his destiny. This crucial letter which illuminates so clearly the causes of the inevitable estrangement, has only recently come to light and Dr. Mitchell now makes it public for the first time. It was not a question of other houses but of other worlds.

In the usual sense, Wystan was not "bohemian" at all. He just could not help but spread litter and make havoc in any house. Immensely kind and generous as he was, there was not much comfort for the visitor. By contrast, however, the cell sacred to his writing was clinical—a neat stack of copy-paper, a row of sharpened pencils, an India rubber, and a line of dictionaries. The house in New York seems to have been altogether larger than life, and even caused Louis MacNeice to raise an eye-brow when the servant turned out to be a female impersonator dressed like a baseball player in breeches and a peaked cap.

I first met Britten with Auden and Rupert Doone in the dimly-lit stalls of an empty Westminster Theatre in 1935 when their collaboration was at its spring tide. (I soon discovered that Britten's watchful reticence concealed a wiry personality.) To be with Wystan at that time was quite an experience. Wit, gossip and fun traversed vast horizons of fantasy and conviction, and his mind worked so fast that it was like living at twice the normal rate. You had to be young and resilient to take it.

Dr. Mitchell lays out for us the enormous amount of work achieved during these years, and inquires into the origins of Britten's development as a musical dramatist. He regrets that *The Ascent of F6* is "now known only for its words." Britten's music, however, was an acknowledged factor, and extended beyond the popular success of the famous "Blues"—indeed the climax was rescued by the "Lullaby" at the end of the play. I suspect that the "fracas" that occurred during rehearsals when it was suggested that some of the music should be cut, to which the author refers, would not have happened if Britten, who was ordinarily very easy, had not thought the music "integral" rather than "incidental."

Saddening, though, that the Britten/Auden interdependence did not produce the opera that might have been expected. The Muses, that showed such prodigal gifts, withheld from Auden that of the dramatist. *Paul Bunyan* remains a two-dimensional and episodic libretto, and Britten wanted more than changes of scene; he needed the dynamic of a drama of human experience to get his teeth into, and he found it in *Peter Grimes*. Ironically the name *Peter Grimes* with its connotation of disorder suggests that Wystan's letter of advice came to Benjamin when it was no longer needed. A point not missed by Dr. Mitchell, whose sympathy and understanding of his two protagonists make this book of quite unusual interest.

R.P.S. scholarships

The Royal Philharmonic Society has announced The Julius Isserlis Scholarship, present value approximately £5,000 per annum, which has been established to enable young musicians of any nationality normally resident in the United Kingdom to study abroad for two years.

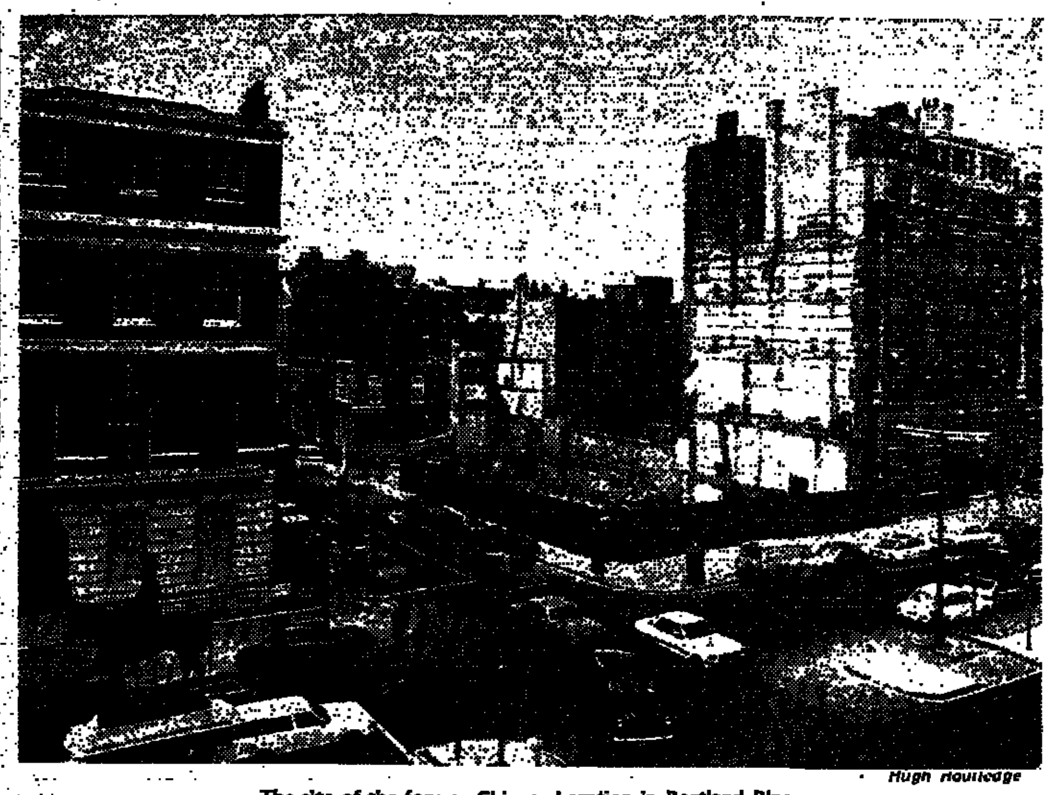
The second scholarship will be competed for in London next July and will be awarded to a cellist who would be expected to commence the period of study abroad within 15 months.

The competition for the Kathleen Ferrier Memorial Scholarship (now in its 26th year) and the Decca-Kathleen Ferrier Prize (awards to the value of £3,000), will be held in London in April/May.

Application forms and details of both scholarships from: Administrative Secretary, Royal Philharmonic Society, 10 Stratford Place, London W1H 0AX.

Bartok centenary recitals

The Lindsay String Quartet will be performing the six string quartets by Bartok at the Wigmore Hall on February 11, 25 and 28 to commemorate the 100th anniversary of the composer's birth.



Hugh Routledge

The site of the former Chinese Legation in Portland Place

Architecture

The Great Hole of China

by COLIN AMERY

Skipping is a new sport. I am not thinking of the sort you do with a rope while counting up to 2,000 and breathing hard. I have adapted the term to describe the art of finding the remains of old buildings—fireplaces, bricks, the odd cornice and even furniture—lying around in skips parked in the road outside the scene of demolition or building works. There is a kind of fraternity of people who like skipping, enthusiasts for old (and not so old) buildings, who always believe that a pair of shutters or an old door frame can successfully be reused, "one day."

There are also the more professional—the skippers of the sport—who spot the demolition gangs before the work has started and make deals over Adam fireplaces which later turn up in the Fulham Road. Of course the kindly amateurs like to pretend that these kind of dealers do not exist, somehow they spoil it all—they even have large vans. The real pleasure in skipping, and this is what qualifies it as a sport, is struggling home with a ten foot high piece of panelling—on foot. I once helped a friend carry two Edwardian cupboard doors from Harley Street to Islington—a feat that included a short ride on the Circle Line.

In the past few weeks skipping enthusiasts in London have had a ball. In Portland Place right opposite the Royal Institute of British Architects and not more than five minutes from the headquarters of Save Britain's Heritage, the demolition gangs have just cleared two 18th century houses designed by the Adam brothers and on the statutory list of historic buildings.

They were rather special houses. They were occupied by the Chinese Embassy and their demolition was perfectly legal. In 1972 when full diplomatic relations were restored the Foreign Office and the DOE agreed that the rather delapidated Adam houses could be demolished on condition that the façade was retained and a great list of interior features carefully removed and reinstated in the spanking new building. Listed building consent was obtained for the demolition: the Foreign Office helping the negotiations along. All this was nearly ten years ago and there were protests at the time, but it was not until the great hole appeared this year that the full extent of the outrage was revealed.

Some of the Adam fireplaces seem to have vanished and there was no chance of saving the façade as the District Surveyor had declared it to be unsafe. None of the plaster work or the staircases remain although it is comforting to know that a few plaster roundels have been kept as models for the new ceilings. Some skipping enthusiasts have picked up the lyre-shaped cast iron balusters and some bits of the grates. Mahogany door surrounds, saucer domes over the stairs and dentil cornices are now dust.

While it is sad that the Chinese did not agree to move to other premises (they have been in Portland Place since 1870) so that these buildings could have been saved, it is ridiculous that the finest features of the buildings were not removed under supervision. The new Embassy will have a replica facade—a monument to the bungling and inadequacy of our historic buildings legislation.

A little further down Portland Place stands the well known lumpish headquarters of the BBC. Last month it became a listed building—one of a total of 150 buildings of the inter-war years that are being recommended for preservation by the Historic Buildings Council.

Broadcasting House was described thus by Sir Nikolaus Pevsner in the 1950s: "It casts a blight on the whole delightful Georgian neighbourhood and deprives All Souls of its subtle siting value." Fashions change and Val Myer's design is now revered by many, particularly the interiors—although I would have thought that they were too altered to justify listing. Several churches of the thirties join the lists including Guildford Cathedral (designed in 1936); Barkers and the former Derry and Toms department store are both now listed despite the depredations they have suffered.

What is the real value of listing? One of the new candidates on the lists of the Twenties and Thirties is St. Marylebone Town Hall by Sir Edwin Cooper. I wonder if the listers have seen the ravished Council Chamber which was recently slicked up to look like a miniature version of the United Nations General Assembly, complete with electronic voting machines and carpets on the walls. And what exactly is going on in the entrance hall of County Hall? Ralph Knott's building was listed in 1951, the main entrance hall is part of his series of rather operatic spaces adorned with fireplaces, a good mosaic floor and a fine ceiling.

In 1968 it was modernised in such a way that none of the existing features would be damaged. Now it is being revamped again with no murmur of listed building consent and as the work proceeds it is clear that Knott's original hall vanished in 1968. The erection of the false ceiling damaged the old one, the marble fireplaces (that were the gift of the Italian Government) have disappeared and the mosaic floor is to be covered up again with a carpet that the GLC housekeeper has selected from the Ideal Home Exhibition.

What is the point of listing buildings if there is no way to ensure that they are effectively protected? What is the point of listing a lot of buildings of the 1914-39 period when they have already been altered or damaged? All over London and other cities the skips are full: it is small comfort to know that the rescued fragments are listed.

First 'Drama' awards

The first annual "Drama" magazine awards winners for 1980—voted for by 20 London theatre critics—were:

Best New Play, *The Dresser* by Ronald Harwood, *Duet For One* by Tom Kempinski, *Make and Break* by Michael Frayn.

Best New Comedy, *Make and Break*.

Best New Musical, *Sweeney Todd*.

Best Revival, *Juno and the Paycock* at the RSC.

Best Performance by an Actress, Judi Dench in *Juno*.

Best Performance by an Actor, Michael Gambon in *Galileo* and Tom Courtenay in *The Dresser*.

Most Promising New Actor, Denis Lawson in *Pal Joey*.

Most Promising New Actress, Julie Walters in *Educating Rita* and Carol Royle in The RSC's *Hamlet*.

Best Supporting Actress, Dearbhla Molloy in *Juno* and Yvonne Bryceland in the NT's *Othello*.

Best Supporting Actor, Edward Petherbridge in *Nicholas Nickelby* and David De Keyser in *Duet for One*.

Most Promising New Playright, Dusty Hughes for *Commitments*.

Best Production (Director), Trevor Nunn and John Caird for the RSC's *Nicholas Nickelby*.

Best Production (Designer), William Dudley for the Royal Court's *Hamlet*.

MICHAEL COVENEY

Cast change for 'La Fille mal gardee'

Owing to the indisposition of Galina Samsova and David Wall, both of whom have undergone operations for foot injuries, the cast for *La Fille mal gardee* at Covent Garden this evening has had to be changed.

The ballet will now be danced by Lesley Collier as Lise, and Wayne Eagling as Colas.

Theatre Royal, Bristol

King Lear by B. A. YOUNG

The greatest of the many virtues of the Bristol Old Vic's *King Lear* is its clarity. The plot is a complex one, additionally complicated by the fact that two of the main characters go about in disguise most of the time. At Bristol, because John David's production is of exemplary simplicity, the story is presented in stark black and white; and when the main structure is free of distractions, the subtleties (of which the play doesn't have many) are the more apparent. Rightly disregarding the scholars' theory that the story belongs to 800 BC, John Elvery has dressed the characters richly in what you might call Shakespearean dress, elegant and bright; but as a concession to pre-history his set consists only of a backcloth and two great rectangular rocks that move about the stage to suggest whatever scenes we're in and so permit virtually instant changes.

Graham Crowden may not go down as one of the great Lears, but his performance is a good deal more than just acceptable. He is very fit for a man of four score and upwards, can go down on his knees and rise again with no trouble from his joints, and retains the valour of his earlier years in his voice, speaking the verse impressively well. He isn't as mad as some Lears; when he says "Keep me in temper, I would not be mad." he fears some dreadful unknown experience, whereas my notion is that Lear has already been mad once—a nervous breakdown, say—and is terrified of repeating the experience. Once he is mad, Mr. Crowden remains a king, however silly his behaviour. He even trims his wildflowers very tidily on Dover beach.

The three daughters have a truly sisterly resemblance. Joanne Pearce's Cordelia is as tough a girl as Pamela Miles or Susan Bovell, her elder sibling; when she comes on with the French troops, she suggests Joan of Arc. The two half-brothers, though, Edgar and Edmund, are chalk and cheese. Ian Mackenzie's Edgar seems a bit wet at first, but after he has gone away and turned himself into Poor Tom his performance flowers magically and becomes very good indeed. He even makes that meaningless last couplet sound moving. Peter Woodward's Edmund is a battling con-man from the word go. He also directs the fights, and chooses to duel with Edgar armed with an axe, which may not be knightly but is good entertainment.

An excellent Gloucester from Peter Copley and an excellent Kent by Malcolm Rennie round off the older generation most satisfactorily. Patrick Malahide's Fool though, seemed to me a civil servant in fancy dress, talking much wisdom in his own eccentric idiom, but hardly suggesting the kind of lovable personality to account for Lear's avuncular fondness for him.

Round House

Suburban Strains by B. A. YOUNG

Alan Ayckbourn's lyrics are ingenious and thoughtful, though not often actually witty. If it weren't for the rhymes, you'd think they were continuations of the dialogue, especially as they are so often divided among the characters with all the ingenuity of MM. Barbier and Carré. Paul Todd's tunes suffice to carry the words but seldom aspire to being songs. They're a kind of modern recitative—*recitativo dolce*, you might call them.

I start with the songs because they are one of the two ways in which Mr. Ayckbourn has displayed his tireless invention in this play. The plot, if I can manage to disentangle it from the complexities with which it is surrounded, is simple. Caroline (Lavinia Bertram) is a schoolmistress. She marries an oafish unemployed actor who picks her up at a bus-stop; turns him out when his oafishness gets too much for her; marries a doctor whom she meets at a dinner-party given by her trusted confidantes Jilly and Ivor; and turns him out when his meticulous concern for her wellbeing convinces her that oafishness with a kind heart is easier to live with.

The music is brought in whenever there is a passage that would normally require the expression of inner thoughts. Two dinner-table quartets, for instance, not only contain all the foolish small-talk of the dinner-table, but include Caroline's mental decisions as well.

The other original technique is a use of time-shifts that would astonish the great J. W. Dunne himself. Only occasionally do two scenes follow in chronological order. Instead, one scene is contrasted with another in order to compare Caroline's reactions; or to foreshorten time an actual event and a subsequent or previous event are shown simultaneously. It is extremely well done, and though I spoke just now of "disentangling" the plot, there is no difficulty in seeing the whole plan as it is unrolled.

Mr. Ayckbourn himself directs, on a circular stage designed by John Hallé, or rather three concentric stages, of which the inner two can revolve. I thought Miss Bertram charming, but most of the characters around her are two-dimensional, I suspect on purpose. They have to stand for qualities, not individuals; Kevin (Michael Simkins) is oafish; Matthew, the doctor (Robin Herford) is fussy; Jilly and Ivor (Marcia Warren and Graeme Eton) are quintessentially suburban. But one supporting player, Tessa Peake-Jones as Kevin's girl-friend Joanna and the sixth-former Linda, I thought radiated a complete personality even when she only made a half-minute appearance.

BBC-2

The Journal of Bridget Hitler

by CHRIS DUNKLEY

Every once in a while television comes up with a work which promises to break away from fuddy duddy theatrical conventions, bid farewell to cinema naturalism and strike out into the wild blue yonder of television electronics. By using chromakey and Quantel and goodness knows what wizardry, the producers will soar over the boundaries of time and space and blend a host of telling detail into a new, not to say unique, multimedia experience.

The Journal of Bridget Hitler on Friday was the latest in this genre, but sad to say, technique once again overwhelmed content as it has so often in the past. Sad, because it is hard to believe that television must rely forever on secondhand cinema or hand-me-down theatre.

However, it cannot be coincidence that the most successful hi-tech television dramas have been *Candide* and *Alice in Wonderland* which both started with lusty, well-written plots. *The Journal of Bridget Hitler* repeatedly raised the suspicion that virtuoso technique was being used to blind you to the slimness of its plot.

The suspicion was strengthened by the fact that even before director and co-writer Philip Saville started tricking it out with 180-deg. flipovers and mix an' match sepia tinting, writer Beryl Bainbridge and he had already gone for an abnormally complicated structure. Bridget Hitler, the Irish woman who married Adolf's half-brother Alois, claimed in a journal written years later that Adolf had visited them in Liverpool in 1913. Beryl Bainbridge based a novel on the idea.

But instead of a straight adaptation the television version added on a mock interview so that an event from the journal would no sooner be dramatised than we would return to the studio for Bridget (played with an unconvincing American accent by Siobhan McKenna) to be grilled. Classic Brechtian alienation technique, you may think. So why go yet another stage away to watch Beryl Bainbridge and the cast chatting in the BBC canteen and being attacked by—presumably—National Front yobs? Because, you may conclude, Bainbridge and Saville and anyone else involved realised that nobody really cares a fig whether or not Hitler made an inconsequential visit to Liverpool in 1913.

Much more significant is the question of Hitler's relationship with his family and, from the occasional bits of evidence here, it looks as though Bainbridge (or perhaps Saville?) could one day go into the subject properly with an unpretentious drama-documentary, a form which may well be television's true modus operandi.

Thomas Cook Travel awards

Robyn Davidson is the winner of the first Thomas Cook Travel Book Award of £1,500 for the best travel book of the year with her book *Tracks* (Jonathan Cape, £5.95).

The £500 award for the best guide book goes to John Brooks as editor of *The 1980 South American Handbook* (Trade and Travel Publications, £8.50).

The awards, presented recently by John Julius Norwich, writer and broadcaster, at Thomas Cook's head office in London are sponsored by the travel company and administered by the National Book League in order to encourage the art of travel writing.

The second Thomas Cook Awards will be given during 1981 and, as this is the International Year of the Disabled Person, the judges will be looking for guide books which appreciate the needs of the disabled traveller.

SOCCER by TREVOR BAILEY

Spurs hold fast in the wasteland

IT WAS odd to experience difficulty finding the right entrance at White Hart Lane, rather like visiting a street you have known all your life after it had been bombed during the blitz. The old main stand has now completely disappeared, leaving a barren waste scarred by temporary cabins, building materials and a massive crane, along and well behind the whole of one touch line.

The Oak Room from which so many rumours circulated, the Blue Room, the directors' sanctum and that small overcrowded car park where the Press once had to conduct its uncomfortable interviews have also gone and are eventually to be replaced by a modern stand.

Although these improvements are long overdue, as the old stand was built well before the First World War, the return on a capital outlay which is likely to exceed £3m is less assured, because of the drop in attendance figures. In the era of the large gate it would have been unthinkable to undertake rebuilding on the present scale during the playing season. Now, except for the FA Cup Tie against Coventry next Saturday, there is still more than enough accommodation available.

This is in spite of the best Spurs season for some time and as the leading London club in the First Division with a chance of reaching Wembley as well as finishing high enough in the table to qualify for a European place. The one danger of this ambitious and praiseworthy scheme, scheduled to be completed early next season, is that it will become the white elephant of White Hart Lane. This could occur if the players experienced a bad spell and Spurs were relegated.

Tottenham, undefeated in their last eight matches and winners of the previous five, continued their successful run against Leeds. But they did occasionally stutter in the second half and eventually had to settle for a 1-1 draw rather than the victory which their supremacy throughout the first 45 minutes warranted.

In Archibald and Crooks the London club have found a lethal twin spearhead. The former, at present the leading goal scorer in the First Division, showed why with a beautifully executed goal on Saturday. This followed clever creative work by Ardiles but Crooks, after a lively start, was firmly shackled throughout the second session and was eventually substituted.

These twin centre forwards owe much to the service they receive from their four halves, especially the darting Ardiles and Hoddle, who possesses the vision enabling him to intersperse delicate one touch passes with long sweeping cross-field balls.

An eight-man Leeds barrier combined with some excellent goalkeeping succeeding in restricting the home team to a one goal lead at half time. During this period there was much to admire about Spurs' football and it was easy to understand why they have done so well since mid-December. After the interval, although they continued to do most of the attacking, it was less convincing.

They lost much of their rhythm, their running off the ball became less positive and their passing less accurate. Perhaps most important of all, too many of their crosses were high and hopeful and easy for the goalkeeper to take, rather than accurate centres. As a result it came as no great surprise when Leeds secured the equaliser following a defensive slip and a shot which Daines might possibly have saved.

Allan Clarke as player manager steered Barnsley into the Third Division. He took over control of Leeds, his former club, earlier this season when they appeared to be heading for relegation. Their record since his arrival has greatly improved and they are now well clear of the danger zone.

It is interesting to note how Allan—who was an artistic centre forward and deadly finisher who combined well with the more rugged Jones in his playing days with Leeds—has like so many other players turned manager concentrated more on effort, well organised defence and resolute tackling than the subtle sides of the game. This is probably because such people appreciate their virtue in terms of results achieved more than most.

Certainly Allan had every reason to be well satisfied with a point against Spurs in their present form, which was secured by that well-tried, sometimes depressing formula for league football of absorbing the opposition's punishment and launching the occasional counter attack.

RUGBY by PETER ROBBINS

France poised to win championship

IT IS already clear that the current international rugby season will not be particularly memorable. After this weekend France, now with victories over Scotland and Ireland, are poised to win the championship, and, presupposing a win against Wales in early March, will come to Twickenham to play England for the Grand Slam.

Both wins, of France in Dublin and Scotland over Wales, were major surprises. Of the two, Scotland's was the more extraordinary and welcome. That is not said with any anti-Welsh innuendo. Far from it, because my admiration for Welsh rugby is well-documented in this column and elsewhere.

No, apart from the sheer relief of seeing Scotland beating somebody at last from the glimpses on television, the victory seemed to come from measured casualness, rather than from over-structured Welsh thinking.

The time has surely come for Wales to make fairly drastic changes but the selectors may be reluctant to initiate too many in Paris.

I commented some while ago on the sameness of rugby these days. That conviction was reinforced by Ireland's match against France this weekend. With the exception of the pile-up problem there is no doubt that the modern game gives greater attacking possibilities than ever before.

Equally certainly the technical aspects of the game have been analysed so microscopically that players are getting bogged down by techniques without really appreciating how or when to apply them to give their side the best advantage.

For example, Ireland's splendid pack completely dominated the French eight, with the sole exception of Joinel. This physical and technical dominance at the scrum gave Robbie a secure platform.

So Ireland displayed a quite brilliant organisation in the scrum and line out, where they used Duggan as a roving jumper and O'Donnell at the short line out. It was obvious that a tremendous amount of work had been put in to the forward play but still Ireland contrived to lose 13-19.

They led only once, when their new full back MacNeill finished off a beautifully slick piece of passing to score in the corner. MacNeill, following his good display for Ireland B in December, made a remarkably impressive début.

Significantly, when Campbell opted to run in the first half he quickly made so much space for himself and McLennan that it was odd he did not really try it again. So he used the hanging tactical kick, which induced a certain amount of panic in the French until they got used to it.

The Fernch, by a combination of lucky bounce and courage from certatin members of their pack, managed to clear some desperate situations. The real point is that with all that possession Ireland should have used it much more wisely and with infinitely more variety.

As it was, their rugby was preventative rather than creative, and, sadly, it is that attitude that seems to prevail nowadays. Players seem either unwilling or unable to fashion attacks and prefer to wait jackel-like until a defensive error is made.

I feel the game is becoming far too structured and so a greater responsibility lies with team captains. However, it is an exceptional man who can stand back from a game and appreciate what changes are needed. Slattery, still playing with incredible determination, was so committed himself that he could not realise the full potential of Irwin and McNaughton in the centre.

Robbie could and should have taken the heat off Campbell by running more, because there is no surer way of checking a flanker than by the scrum-half varying his game. Robbie has tremendous talents, one of which is that of being able to make a break in confined spaces.

The French attacked through the back row. They had to, because Slattery's pack gave Berbizier a nasty time around the base of the scrum. If Duggan and O'Driscoll were the stars, there was, nevertheless, some exemplary donkey-work done by Fitzpatrick, Whelan, Orr and Kene to which the French had little answer.

What was particularly important was that when Ireland ran out of ideas, France was still able to draw on reserves of strength and talent.

Of course, having kickers like Laporte at fly-half and Gabernet at full back was a double bonus for France. Both did perfectly what they were picked and able to do.

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Monday February 9 1981

Fish: time for compromise

TODAY AND tomorrow the Agriculture Ministers of the European community resume their efforts to forge a Common Fisheries Policy. In spite of the dour predictions of the outcome voiced after a week of preparatory talks, there is really very little excuse for their failing to sew the matter up this time.

The public pressure for agreement exerted on the UK over the weekend by the French President and the West German Chancellor might suggest that the talks have reached a bitter impasse. Yet it is as well to remember that a very encouraging degree of agreement has already been achieved and that while one element of the final policy is still in dispute there is broad political will for a settlement from all sides.

This will is striking when one considers the new realities which the European fishing fleets have had to face up to over the last decade. The widespread adoption of the 200-mile limit deprived them of large areas of Atlantic coastal water, forcing them back into inadequate European waters. At the same time fishing techniques have improved, emphasising the fragility of the stocks of fish in this European area.

Proposition

Yet two key elements of the inevitably depressing solution to this problem have already been more or less agreed upon. Rules for conserving the fish stocks have been established and only need to be properly enforced by the member countries under the scrutiny of a team of European inspectors.

The EEC countries are also remarkably close to agreeing the proportion of the total European catch which each should be allowed under the CFP.

The latest figures discussed in the European council would give the UK about 36 per cent of the allowable catch, Denmark about 24 per cent, France 13.6 per cent and West Germany 13 per cent.

There may still be argument over the Danish share but by and large the crucial question of the share-out of an inadequate total is no longer said to be the stumbling block.

The largest remaining problem is the UK's insistence on a 12-mile exclusive zone around Britain, except where other countries have had "historic right of access," and the UK's demand for "dominant preference" in other areas stretching out to 50 miles. These demands contradict the principle, enshrined before Britain joined the EEC, that member countries should be able to fish up to each other's shores.

France, the nation most affected by the question of "historic access," remains the strongest defender of this principle—and its Government is particularly unwilling to be seen to climb down on the matter in the run up to a Presidential election.

Nevertheless, the French say that they would be happy with a "practical" arrangement which does not overturn this underlying principle. In practice, this could mean a temporary agreement—for ten years, perhaps—on a British zone, followed by renegotiation. But Mr. Peter Walker, the UK Minister of Agriculture and Fisheries, insists that the British privileges must be established in perpetuity.

There is an almost unanimous European interest in seeing this narrow gap bridged. Unlike the Common Agricultural Policy, whose basic thrust is now being questioned increasingly, there are no such doubts about the CFP. The fish in European waters must be shared fairly and conserved effectively. It is only when the CFP is in place that the European market can be properly policed against the alleged dumping and dumping prices which the British fishermen are currently complaining about so bitterly.

A CFP will provide the industry with money from Brussels to help it adapt. A CFP will make it easier for the EEC to negotiate renewed fishing in foreign waters: the West Germans are particularly desperate to give their deep sea fleet access to Canadian waters.

Thrust

For an agreement to be reached this week the British may have to show a little more flexibility, particularly over the permanent nature of the settlement, while the French will have to demonstrate that, despite their forthcoming election, they are genuinely interested in finding an acceptable compromise rather than a pretext for failure. All EEC Agriculture Ministers should waste no further time arguing over a policy which everybody wants. They should conserve their energies for a much more justifiable dispute over farm pricing.

Putting money on the line

PROGRESS TO date on the £2bn gas gathering pipeline being planned for the North Sea reflects small credit on any of the parties involved. Despite the reassuring noises being made in official circles—largely for the benefit of the Norwegians—there now appears to be a real danger of discussions on the project dragging on *sine die*.

Target date

The concept is that a new offshore pipeline should gather gases from a number of North Sea fields and land them at St. Fergus in Scotland. The natural methane gas would be fed into the British Gas system for use in homes, offices and factories while the gas liquids would be used as raw materials for making petrochemicals. The project has very great economic and industrial advantages and the Government should be doing everything in its power to accelerate it.

The intention is that an interim pipeline company should be set up in the spring to put the scheme under way and that a permanent company should replace it at a later date once throughput contracts have been agreed. But it is already clear that there is little chance of an interim company being established by the original target date of March 31.

Over the past few weeks British Gas and the British National Oil Corporation have apparently been at loggerheads over which of them should take charge of selling ethane gas as a raw material to the petrochemical companies. British Gas seems likely to emerge as the winner in this particular argument but the fact that it took place at all has added to uncertainty and delay.

Meanwhile the UK banks and financial institutions have proved most reluctant to fund the scheme. A banking consortium is now considering a £700m unsecured loan to the interim pipeline company—but only on conditions which could lead to enforced under-utilisation in existing North Sea gas lines.

The banks have been criticised for their seeming refusal to offer funds without copper-bottomed guarantees of return: it is after all, a sound industrial project which should not fail for lack of finance. Some of this criticism may be justified, but so is the caution being displayed by the banks.

The banks do not know exactly who the borrower would be—and there is even more uncertainty as to how the money would be paid back if things went wrong; nobody has much idea of what the final return on the overall investment will be, particularly as there is a notion in the minds of some interested parties that the pipeline should be run as a public utility.

It should be the Government's task to cut through the admittedly formidable complexities of the project. Ministers could have allowed either the oil companies or British Gas to finance and build the new line and both would probably have been ready to do so. The oil majors option was rejected on a number of grounds, not least the fact that they would have been able to offset a substantial part of the cost against tax. The British Gas option was turned down because it would have had implications, on paper, for the Public Sector Borrowing Requirement.

Middle way

The Government has chosen a middle way which brings in public and private sector enterprises and which should, in theory, at least give everyone a fair and equal chance of benefiting from the new gas line. But there is still a great deal of uncertainty over the terms on which finance will be available, over the organisation of the different phases of the project and even over how big the pipeline should be and which fields it should serve.

There may be a case for putting a single individual or organisation in charge of the project with the authority to take decisions and knock heads together. The Government itself is understandably reluctant to become involved in financing the scheme. It should not necessarily abandon its stringent approach to the Public Sector Borrowing Requirement by guaranteeing initial loans for this particular project. But the new gas gathering system is a prime example of the type of long term, productive investment where Ministers need to look at finance with open minds.

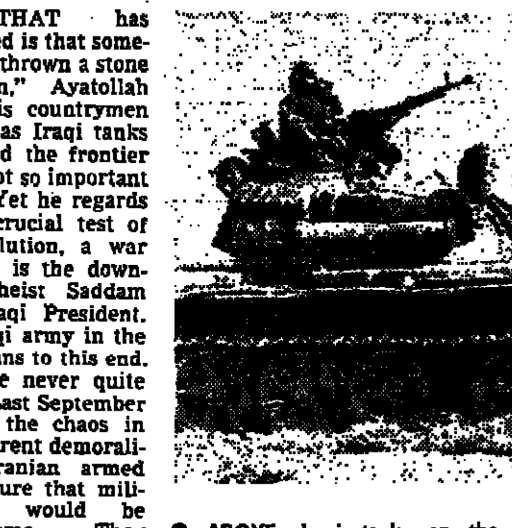
IRAN-IRAQ WAR

Catching a bear by the tail

By Patrick Cockburn in London and Terry Povey recently in Susangerd

"ALL THAT has happened is that someone has thrown a stone into our garden," Ayatollah Khomeini told his countrymen four months ago as Iraqi tanks and troops crossed the frontier into Iran: "It is not so important or threatening." Yet he regards the war as the crucial test of the Iranian revolution, a war in which his aim is the downfall of the "atheist Saddam Hussein," the Iraqi President. Defeat of the Iraqi army in the field is only a means to this end.

The Iraqis have never quite understood this. Last September they hoped that the chaos in Iran, and the apparent demoralisation of the Iranian armed forces, would ensure that military resistance would be speedily overcome. They thought it possible that Ayatollah Khomeini would fall.



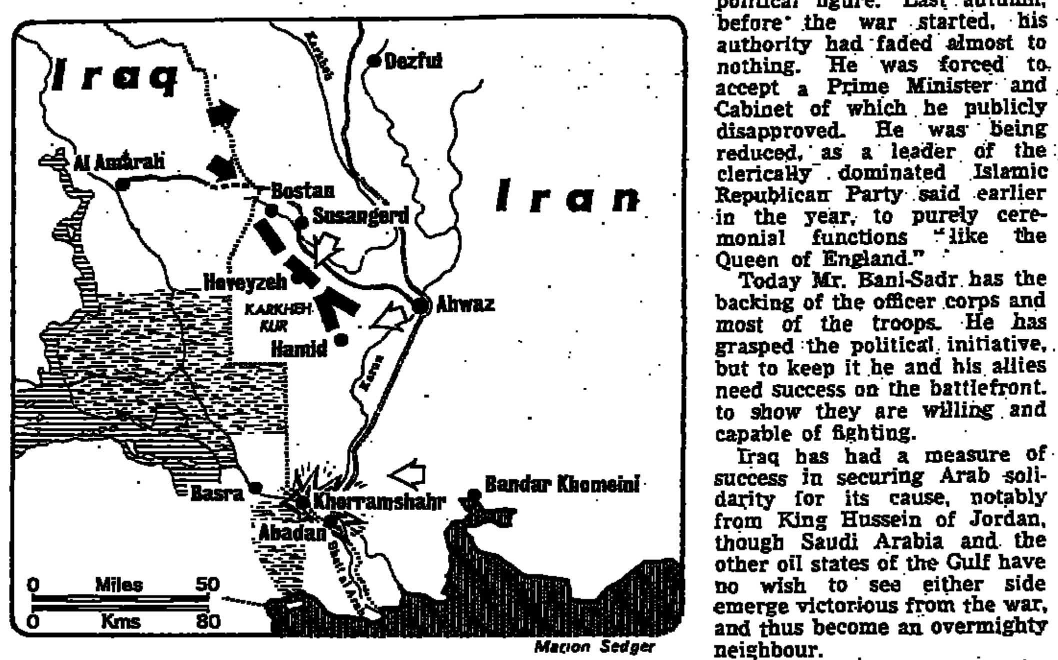
● ABOVE: Iraqi tanks on the move in Iranian Khuzestan.

Root of the problems

It is this political miscalculation, not military incompetence, which is at the root of their present problems. They cannot end the war. Even if they renewed their offensive, accepted high casualties and captured more of the oil province of Khuzestan they could neither decisively defeat the Iranian army in the field nor overthrow Ayatollah Khomeini. Tactical victories get them nowhere.

Over the past two months the Iraqi difficulties have been compounded by the steady reorganisation of the Iranian army. Discipline has been reimposed on many of the regular units and there is now a functioning command structure at the battalion, brigade and divisional levels.

Along the road between Ahwaz and Susangerd the line in still manned by substantial numbers of the Iranian 16th division, in spite of claims from Baghdad that this mixed armoured and infantry unit suffered heavy casualties in a minor counter-offensive in January. Only two months ago there were few regular troops to be seen on this part of the front. Under sustained artillery fire the troops seemed to have high morale and even the revolutionary guards were prepared to take orders from junior officers in the regular army.



ACCORDING to the head of Iran's Joint Chiefs of Staff, General Valiollah Falahi, the map shows the positions of the two sides in the Khuzestan area in late January. Iran's earlier offensive had the limited objective of pushing, almost north-south, Iraqi forces away to the south from the strategic Ahwas to Susangerd road, he claimed.

Iran's front line positions now lie some four miles south of this road bordering the Karkheh Kur—a flat marshy area into which the River Karkheh drains when in flood. A dam on this river lies just to the north of the road and could be opened to amplify natural flooding in late winter and the spring. The offensive was less successful in Khuzestan than in the central-western front, said Gen. Falahi. "This was due to the flat terrain and our desire to minimise losses."

The importance of equipment in this war has been exaggerated. The most crucial factor is the morale, and the willingness to fight, of the troops and the Revolutionary Guards. To improve morale, Iran's authorities have rushed through a variety of special payments, pensions and even posthumous promotions for the troops.

Logistics pose an even greater problem than fresh supplies. The latter are often available in the large arms dumps built up by the Shah. The problem is in locating the equipment and then getting it to the right point on the front at the right time. An exceptionally mild winter has helped.

"No one denies the need for spare parts, but this need is not so pressing as the outside world thinks it is." General Fallahi, head of the Joint Chiefs of Staff, told the Financial Times last week. President Bani-Sadr added, however, that "our problem is that most of the equipment has not been maintained for two or three years."

President Saddam Hussein still says that "a prolongation of the war will bring the internal situation in Iran to a state of crisis, explosion and domestic strife." All these things may happen but they will not necessarily benefit Iraq. The war is almost the only issue on which Iranians are agreed. No Iranian leader could survive politically if he suggested an end to the war through negotiations.

Last year the way to get ahead in Iranian politics was through militancy on the hostage issue. The taking of the U.S. embassy broke the power of the moderate nationalists who held power in Tehran in 1979. This year success on the battlefront has become the key question through which political power in Iran will be won or lost. For Ayatollah Khomeini, President Abol Hassan Bani-Sadr, and the clerical leaders of the majority in parliament it is the crucial test.

This implies that the war will not continue for the rest of the year as a stalemate. The limited counter-offensive launched by one Iranian tank brigade in January shows the political pressures on the army to attack whether it is ready or not.

The way in which the war now determines the battle for power in Tehran is shown by the re-emergence of President Bani-Sadr as a powerful political figure. Last autumn, before the war started, his authority had faded almost to nothing. He was forced to accept a Prime Minister and Cabinet of which he publicly disapproved. He was being reduced, as a leader of the clerically dominated Islamic Republican Party said earlier in the year, to purely ceremonial functions "like the Queen of England."

Today Mr. Bani-Sadr has the backing of the officer corps and most of the troops. He has grasped the political initiative, but to keep it he and his allies need success on the battlefront to show they are willing and capable of fighting.

Iraq has had a measure of success in securing Arab solidarity for its cause, notably from King Hussein of Jordan, though Saudi Arabia and the other oil states of the Gulf have no wish to see either side emerge victorious from the war, and thus become an overmighty neighbour.

Particularly important for the ruling Ba'ath Party has been the absence of dissent from Shiah community in Iraq which forms the majority of the population. The Government is largely Sunni. Ayatollah Khomeini has continually appealed to members of his own creed to rise up against the Government in Baghdad.

Indeed, such propaganda played a large part in precipitating the war itself. Only six months after Ayatollah Khomeini had arrived in Tehran in 1979 it was difficult to get Ba'ath Party officials in Baghdad off the subject of the anti-Ba'ath radio broadcasts coming from radio stations in Tehran and Abadan. Early last year a Shiah guerrilla organisation called al-Dawa assassinated a number of government officials in Baghdad. The Iraqi-backed takeover of the Iranian embassy in London was largely a response to such attacks.

The Iraqi Government response to such signs of dissidence has been ferocious. Some observers believe that the strength of Iraqi Government reaction proves that such groups were becoming a real threat to Baghdad. This is almost certainly a mistake. President Saddam Hussein's political track record is to strike at a potential threat before it becomes too powerful. In Iraq, indeed in the Middle East as a whole, this is not a bad tactic.

Dissidence is also reduced by the fact that most Iraqis have not suffered from the war. They have both guns and butter. Goods displayed in the shops in Baghdad and Mosul show that the consumer, though never pampered, is not feeling the pinch. Thanks to raising its oil production to more than 3.5m barrels a day in the months before the war, Iraq accumulated some $30bn in reserves.

Why the war goes on

"We wondered why they were producing so much. Now we know," said an OPEC official last year. Although Iraq's two Gulf oil terminals have been shattered by an Iranian attack and oil exports were recently only 560,000 b/d through the trans-Turkey pipeline, this causes no immediate difficulties.

The problem for the Iraqis is not damage to their army or economy or internal dissidence. It is rather that they miscalculated the enemy they are fighting. Instead of destabilising Ayatollah Khomeini's Iran they have focused the energies of its disparate factions on the war. Thus all Iraqi attempts to negotiate are rebuffed. They have caught a bear by the tail. No Iranian dare make the few cosmetic concessions necessary for a peace and President Saddam Hussein, now the central figure of Arab politics, cannot end the war without something to show.

End to oil sanctions will help Iran buy arms

IRAN'S MOST important financial gain from the release of the U.S. hostages will come in the form of increased oil revenues rather than the return of assets. Only $3bn was transferred from the U.S. to Iran when the hostages were freed but by April Tehran should be earning $1.6bn a month from its crude exports.

The most effective of the sanctions against Iran, though not enforced by any legislation, was a partial boycott of its oil exports by the major oil companies. BP, Shell and the Japanese had contracts for 790,000 barrels a day of Iranian oil in early 1980, but when Iran raised its prices above the general level in the Gulf in April 1980 they ceased their purchases. Political pressure from Washington and their own Governments made it difficult for them to return.

With the hostage issue out of the way, however, BP and Shell have already signed contracts for 175,000 b/d and the Japanese are currently negotiating to purchase another 300,000 b/d. Iran is expected to increase its crude exports to 1.2m b/d within a short space of time. This oil revenue will provide a much more significant addition to Iranian reserves than the return of part of the frozen assets, and will allow Iran to pay for the arms it needs to fight the war against Iraq.

Since last April Iran has had to seek out customers for its oil all over the world. Most of its contracts were small though Spanish companies been purchasing 150,000 b/d and India 100,000 b/d, but many companies were discouraged by the high prices the National Iranian Oil Company was asking for its crude.

Today Iranian prices look more attractive. The $1.80 premium, in addition to the $36-37 a barrel official price, looks reasonable compared to the higher premiums being charged by other Gulf producers such as Kuwait. Better still, the Iranian premium is reportedly only for the first quarter.

The disadvantage of buying oil from Iran is clearly the war. The main loading terminal at Kharg Island is not far from the southern Iraqi airfields but so far bombing attacks have inflicted only limited damage and tankers have remained unscathed. The main Iranian refineries at Tehran and Isfahan have not been damaged.

Such restraint does not appear to be the result of any tacit agreement between the combatants to limit attacks on each other's oil industries.

At the end of last year the Iranians launched a devastating attack against Iraq's two Guf terminals and have made repeated, but not very effective, raids against Kirkuk. The vast but ageing front-line Iranian refinery at Abadan was destroyed early in the war by artillery fire. It is possible that the Iraqis, who are only exporting about 560,000b/d themselves, will now step up their attacks against Iranian oil facilities.

Patrick Cockburn

MEN AND MATTERS

U.S. comes to Mrs. T's party

Anticipating the introduction of similar tight-fisted policies by President Reagan later this month, 12 U.S. Congressmen arrived in London at the weekend for a closer look at the results so far of Margaret Thatcher's economic programme.

Led by Oklahoman Democrat and former Lyndon Johnson aide James Jones, the members of the Congress Budget Committee will meet the Prime Minister herself tomorrow.

Despite the unhappy experience of the last British PM to have a hand in U.S. fiscal affairs, Mrs. Thatcher eagerly agreed to give them her personal advice. And like-minded Ministers such as John Biffen, Leon Brittan and Norman Tebbit will underscore her message.

But in its search for "whatever may be relevant from UK experience to U.S. policies," the Jones team is delving more deeply into opinions during its five-day visit. Labour's Peter Shore will be consulted and so will a wide cross-section of industrialists, bankers, and trade union leaders.

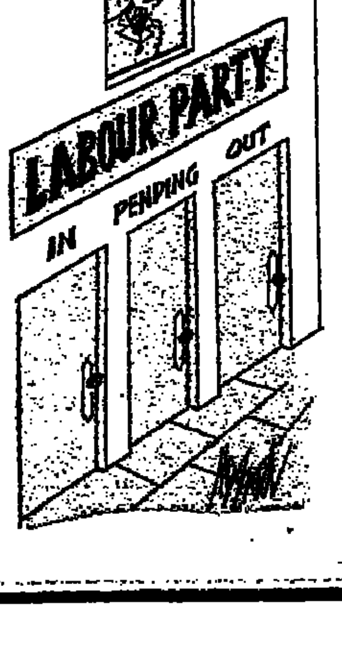
The congressmen have promised to let us know what they have discovered before they depart on Wednesday for further lessons in budget balancing in Belgium and Italy.

But it's safe to say the picture will look slightly more complex to them than President Reagan's televised graphics, in which divergent expenditure and revenue lines suddenly but conveniently converge.

Less amusing, too, than U.S. Chamber of Commerce president Richard Lesher's recipe for recovery. It lies, he says, in cutting out such government activities as attempts to find appetising names for ugly-sounding fish.

Lesher concedes that his mouth does not exactly water at the idea of a plate of boiled grunt fish, baked mudblower or dried ratfish. But after spending $500,000 over seven years without renaming one fish, it's time the project was abandoned, he says.

And then, he adds, there is the $92,000 government grant for studying "the evolution of pubescence in bumblebees"...



Mobbs' choice

"I am relieved to have solved the problem at last... I hope." So said Nigel Mobbs, chairman of Charterhouse Group, on the appointment of John Hyde as chief executive and chairman designate of its banking arm Charterhouse Japhet.

The problem has become only too publicly apparent in the six months since Charterhouse took over Keyser Ullmann. It has simply not proved possible to promote from within the one man who could bind the two organisations together.

Rows, or "differences of opinion on policy" as they are diplomatically called, led to the abrupt departures of first Malcolm Wells, Charterhouse chief executive, and then head of banking John Turnbull.

Now, Mobbs says: "I do feel the uneasiness in some areas will be over. Some of it has been more apparent than real—putting together a people business is more difficult than putting together manufacturing units."

Hyde's pedigree for the job, apart from his ability, as they say, "to lead and bring together a team," is impeccable. He was chief executive of London Multinational Bank, frequently rated the best of the consortium banks, and continued in the post when it was taken over completely by Chembank and became Chemical Bank International. Before that he had a 17-year stint with Citibank.

In other words, a pure banker showing where Charterhouse's priorities lie. Mobbs is categoric: "Pure banking, borrowing and lending, is where the mistakes can be made, sometimes catastrophically. It also provides the core profits," he says.

Changing scene

There can be few people who span the gap between the "two cultures" with such facility as Mike Okrent, now directing three West End plays with one hand while conjuring up new products for industry with the other.

The ambidextrous Okrent trained as a physicist before turning to the theatre and working his way through rep and a period as a freelance to the West End where he has directed the critically acclaimed Peter Nichols' "Passion Play" for the Royal Shakespeare, the revival of "Watch on the Rhine" at the National, and the award-winning "Educating Rita."

"All very satisfying," Okrent says. "But I realised very early that a career in the theatre was going to be financially precarious to say the least."

Looking for another, and perhaps more secure, outlet for his creative talent, Okrent found it four years ago in a partnership with an old school-friend, Peter Frank.

A mathematician, Frank had gone into industrial management. He worked for Elliot Automation and Rank-Xerox. Then he found himself increasingly fascinated in solving the technical, development, personnel and marketing problems associated with new products.

"We were talking things over while we were out swimming one day and we just decided it would be a good idea to get together and see what we could do," says Okrent.

Frank and Okrent have attracted a wide variety of industrial and consumer clients, including companies like Black and Decker, Platignum and Reckitt and Colman.

"We are in fact inventors," says Okrent. "But we begin by looking at a company's skills, manufacturing capacity and marketing resources. Then we produce ideas about new products to match them."

They are currently working in such diverse areas as instrumentation for the oil industry and aircraft fittings.

Okrent intends to continue flitting between the theatre and the factory floor. "It's stimulating," he says, "moving between a slightly unreal world and the down-to-earth atmosphere of industry."

Spellbound

Powerful men, indeed, those West African magicians. No wonder I was nervous about writing last week of the appeal in Accra for magical arts performers.

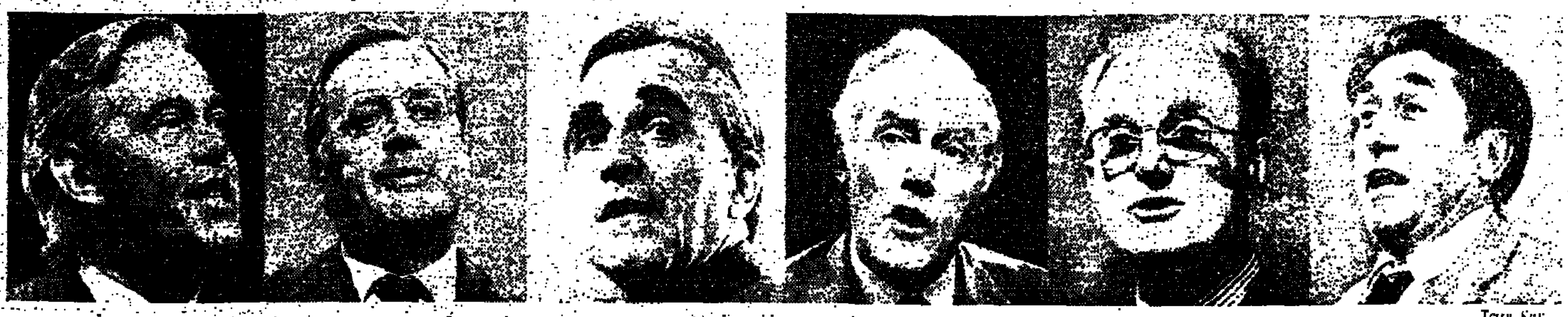
Accrabadaccra — and under their spell I had placed them in Nigeria instead of Ghana. Such tricks to cover their tracks may have fooled this (would you believe it?) graduate in geography, but not my readers. About 137 rang, wrote or telexed me with humorous charm to dispel the sorcery that possessed me.

Following several friendly suggestions, I'm considering my application for the post of U.S. Deputy Secretary of State. Would someone point me towards Washington?

Observer

Political Realignment: Christian Tyler assesses the impact of the Wembley vote on the party's trade union links

Why the unions will stick with Labour



Alan Fisher, of NUPE, and Moss Evans, of the TGWU: *standard bearers of the Left*

Sid Weighell and David Basnett: *moderates being pulled both ways*

Roy Grantham and Frank Chapple: *allies in opposing the party's drift*

Terry Kirk

THE POLITICAL fall-out from the Labour Party's special conference at Wembley is still raining heavily on the trade unions. The unions created the party at the turn of the century in order to secure in Parliament what they could not win at the bargaining table, and they still contribute nine-tenths of Labour's funds.

Neat categorisations are usually wrong. But the controversial Wembley decision on the composition of an electoral college to choose the Labour Party leader appears not only to have widened the gap between Left and Right in the unions, but to have divided the Right itself.

To the Left of the spectrum lie the Transport Workers and the National Union of Public Employees, supported by such unions as ASTMS and TASS. Leading exponents of this group's philosophy, including Mr. Bernard Dix of NUPE, suggest that the present rumpus is the inevitable consequence of the last Labour Government's failure to deliver its manifesto promises, its "abuse" of trade union co-operation in promoting wage restraint, and an unhealthily cosy relationship between trade union leaders and a Right-wing Labour Cabinet.

They therefore attach great importance to the new accountability of MPs to their constituency parties and of the party leader to unions and local parties.

The centre ground is occupied by Labour loyalists led by Mr. David Basnett and the General and Municipal Workers Union, the National Union of Railwaymen under Mr. Sid Weighell, the Communication Workers under Mr. Tom Jackson and the Shopworkers, led by Mr. Bill Whatley. But their ranks are being pierced by a new Right-wing coalition, whose hatred of the enemy within—the Far Left—is almost as intense as its desire for unity in the face of the Conservative enemy.

Convenor of this group appears to be Mr. Roy Grantham of the Clerical Workers (APEX), who is at the centre of a caucus publicly committed to fighting for the reversal of the Left's recent successes. He has the support of Mr. Frank Chapple of the Electricians, the only general secretary to appear on the "Gang of Four's" list of 100 supporters published last week. Also backing the group is Mr. Terry Duffy of the Engineers, whose union has in recent years become as energetic as the Electricians in speaking out against Communist and Far Left influence in the Labour movement.

It is not yet clear how much support this group will pick up from the other moderates—but it certainly will not capture Mr. David Basnett, for instance. Some clues to the new alignment may emerge tomorrow. The group has invited leaders of about 10 unions to a private meeting to discuss how to ensure that the electoral college formula, giving the unions 40 per cent of the vote to elect the Labour Party leader, can be overturned to give the MPs 50 per cent. It will also consider how to remove the actual voting for a new leader from the floor at Labour's annual conference so that last-minute vote-switching is made impossible.

The plan is to try to secure fairly similar decisions from each union's annual delegate conference this summer—or at least a common fall-back position—for what now seems will be the inevitable re-opening of the leadership issue at Labour's own conference in Brighton this October.

The interesting question is how many of those invited will turn up to what Mr. Duffy says will be "a meeting in a smoke-filled room." A useful potential ally would be Mr. Weighell who, although he takes exception to the outspoken provocative style of Mr. Chapple, for example, insists there must be changes to repair the damage of Wembley.

One obvious target for the trade union Right is the Labour Party national executive itself. Many unions would like a change in its composition to widen the representation. Those who will not wait for a constitutional change, such as the Engineers, are determined to break with the traditions of the past (where unions dutifully support the incumbents) and use their votes to oust sitting Left-wingers. The AUEW hoped to do that last October, but ended up with a Left-wing slate for the NEC when one delegate defied the Right's whip.

The big trade unions may be temporarily at loggerheads in the aftermath of Wembley. But, apart from those who say "good riddance" to the wavering social democrats, they seem united in their dismay at the prospect of a breakaway party. Mr. Grantham, whose union sponsored Mrs. Shirley Williams when she was an MP, says he deplores the idea that anyone should not stay and fight. "We believe that the only beneficiary would be Mrs. Thatcher. The prospect of two left-wing parties duffing each other up is not one we contemplate with any enthusiasm."

Mr. Weighell finds the Council for Social Democracy dangerous as well as deplorable. "I object strongly to factions in the Labour Party — Right, Left or Centre. I have always said you have the machinery, you have plenty of vehicles, for expression *within* the Labour Party. It's no good creating separate groups.

"This Government is quaking. There are cracks appearing on the surface. A little pressure and the Tories will be gone.

"At the TUC, we are launching the biggest campaign of protest in the history of the movement. With that pressure, both wings should be concentrating on it. That's why I am annoyed with people in the party: those who are making it untenable for others and those who are going out. I say a plague on both their houses."

The second point of general agreement is that no trade union leader will seek to disaffiliate his union from the Labour Party, however strong his dislike of the "antics of the Left." Apart from anything else, there are considerable practical difficulties. Most unions' constitutional aims and objects contain some reference to public ownership and the end of the capitalist system—something a centre party's constitution is unlikely to include—or specific reference to Labour Party delegations or sponsoring Labour MPs.

For example, one of the stated objects of the National Union of Railwaymen is "to work for the supersession of the capitalist system by a Socialist order of society." The APEX rluebook talks of helping its members to assert "democratic control over their several industries and services."

It would require a rules revision conference, as well as the support of national executive committees, to effect the necessary changes. "It is hard to imagine any union going through that process, especially with a general election looming over the horizon.

Mr. Chapple, the severest critic of the Labour Left, has said that his first task is to continue the fight within the party and "win back the ground the Left has got." Only if the fight-back proved impossible would he think seriously about disaffiliating, and then it would need the agreement of the union's political committee and executive council, as well as the majority verdict of a ballot of the members.

One certain consequence of the Wembley conference — and one scarcely connected with the Gang of Four themselves — is that the informal group of trade unions operating under the title Trade Unions for a Labour Victory will come under fire from right-wingers increasingly reluctant to bail out a national party organisation under the management of a left-wing executive committee.

Mr. Grantham says he sees no basis on which TULV can survive. "There is no possibility of trade unions co-operating if some of them are involved in manoeuvres against the interests of the party." Other union leaders, such as Sir John Boyd of the Engineers or Mr Weighell, have been extremely critical of the party's financial management, but would not necessarily wish to see the safety net pulled away so abruptly. The argument, rarely enunciated, is that in the end the Labour Party cannot afford to alienate its paymasters, the unions.

At the last meeting of unions called by TULV, it was agreed that the organisation should continue and attempt, at a special conference to be arranged in the next two months, to give itself a proper constitution. To TULV's chairman, Mr. Basnett, it would probably look like a disaster if TULV broke up, so serious and persistent are the party's financial problems.

TULV started life as a consortium of unions brought together to buy and lease back the party's new headquarters in Walworth Road, South London, when the party left Transport House in Smith Square. It gained its title when it became a co-ordinating body for the unions' campaign in the 1979 general election, and has been kept in being since to implement the organisational and financial reforms suggested by the commission of inquiry set up after the 1979 Labour conference.

The question now is whether, despite general agreement on its financial role, TULV can survive the shock of the three-way split that has developed. Some engine for Labour Party unity is required, and if the unions cannot provide it, it is far from clear who else can.

Meanwhile, another possible source of inter-union friction has been quietly developing in recent months — a concerted effort by the Electricians to counterbalance the Left's gains inside constituency parties by stepping up their branches' affiliations. The first cries of dismay have been heard from the Left in two London constituencies, Bermondsey and Dulwich, but there are signs that the campaign is being taken into other Left bastions such as South Yorkshire (where the miners have been building up their position for two or three years).

A Left-dominated working party from Labour's national executive is pondering the Bermondsey question to decide, since the electricians seem to have broken no party rules, whether the rules are too permissive. Mr. Chapple is threatening to sue the Labour Party to remove the block on his union's affiliations . . . and the Conservatives, presumably, are laughing up their sleeves.

Letters to the Editor

Stock relief clawback

From the Chairman, Blundell-Permoglaze Holdings

Sir,—My company has made (February 5) its preliminary announcement of profits for the year to October 31, 1980, which indicate a very high tax charge of 78 per cent as a result of a clawback of stock relief.

I have been surprised by the extent of the sympathetic reaction to the position my company is in which is in fact similar to a number of others which in some instances could prejudice their survival. This results from what I believe to be a very sound commercial decision taken in April 1980 to reduce the level of our stock holding of raw materials. We did this in the expectation that the new proposals for stock relief would be effective for companies taking this action.

We are extremely dismayed at the announcement by the Chancellor that his new proposals, if passed into legislation, will become effective as from November 14, 1980, which means that my company, having a year end on October 31 and any other company with an earlier year end in 1980, will not benefit from his proposals. The impact on our figures is very considerable in that there is a difference between existing rules and the proposed new legislation of approximately £762,000 in our tax bill which has to be related to our pre-tax profits of £1.8m.

I am of course hopeful that the Chancellor in considering the many representations made to him will reconsider the arbitrary date which has been proposed so that all financial years ending within the current tax year will be governed by the new scheme. A change in the tax rules in the middle of the year can of course have a very serious impact on any company's plans for its cash flow.

N. G. Bassett-Smith.
York House,
37, Queen Square, WC1.

BL component operations

From the Managing Director, SU Butec Division, BL Components

Sir,—Your issue of February 5 includes an article based on a report by the Economist Intelligence Unit and reference to BL component operations competing "from a subsidised position" with outside suppliers.

This is incorrect with reference to the SU Butec division which draws no subsidy and trades on a competitive and fully accounted basis with customers both inside and outside BL. The division achieved a strong positive inflow of cash during 1980 in spite of extremely difficult conditions in the marketplace for both original equipment and after market and the necessity to significantly rationalise the division.

Competitiveness is constantly tested through external trading on a profitable basis, and it is a pleasure to be able to report that the management team and employees at all levels respond significantly to the challenge. SU Butec is a member of a group within BL which specialises in components for original equipment and after-market, and on almost all of the key business ratios out-performs most of the component industry in the UK.

J. Winston,
Unipart House,
Garsington Road,
Cowley, Oxford.

International trade unions

From the President, Amalgamated Union of Engineering Workers

Sir,—Christian Tyler's article on international trade unionism (Management Page, January 21) is more interesting for what it leaves out than what it includes.

The International Metal-workers' Federation (IMF) is a tremendous asset to international trade unionism, and is in the forefront of the struggle for basic human rights throughout the world.

For example, he does not mention the pressure applied by the West German metalworkers' union, IG Metall, on Volkswagen, in order to bring about the biggest ever wage increase for black employees of VW in South Africa after their three-week strike last summer.

The British section of the IMF gave financial support, and our own union, the AUEW, donated £5,000 to our black colleagues in their struggle.

Neither is there any mention of the pressure applied by the American United Auto Workers' Union on Ford in Detroit to ensure recognition of shop stewards in Ford plants in South Africa. All this behind-the-scene solidarity work was co-ordinated by the IMF in Geneva (not Brussels!).

The IMF also gave the engineering unions tremendous support during the fight for the 39-hour week and longer holidays.

If you picked up any British newspaper at the time of our dispute, you could read that it was economically wrong for us to struggle for a 39-hour week, and that we were out of step with the rest of the advanced industrial world.

Just before our battle began, I attended a meeting of 130 union leaders at an IMF conference on reduced working time. It was that conference which gave us the international economic theoretical background for our campaign. National trade union isolation can only be overcome by international work of that nature, and the IMF plays an invaluable role.

Two final points on Mr. Tyler's article. No, we do not have much to do with unions in East Europe. I hope he will forgive us if we believe that events in Poland have underlined the wisdom of that policy.

Terry Duffy.
(also President, IMF British Section). AUEW.
110, Peckham Road, SE15.

Little yappy dogs

From Dr. R. Mugford

—Sir—Your survey (January 31) suggests that less than 3 per cent of British households have invested in any form of security system against burglars. That figure is concerned with electronic and mechanical gadgets to deter burglars, but another 25 per cent of households own a dog whose duties include that of early warning device. The dog has performed this duty for between 10 and 14,000 years, but in modern times its continuing untility as a sentinel can be easily overlooked.

About three years ago I conducted a survey in the London area, in order to quantify the effect that the presence of a dog had upon the behaviour of burglars. People who did not own a dog incurred three times as many burglaries as those living in houses with a dog. Little but yappy dogs were just as effective as big and ferocious breeds; what mattered was that they barked at strangers.

The primary motive to have a dog in Britain is to have a friendly pet, and guarding the house is generally only a secondary benefit. In the house of a client I visited recently, a very expensive computer-controlled security system had generated four false alarms and "missed" one burglar in a year. The local police advised the back-up services of a dog, and their miniature poodle has worked well for two years. My clients also claim that their hairy house dog is more lovable than a microprocessor.

R. A. Mugford (Dr.),
Fletcher's Coombe Farm,
Diptford,
Totnes, Devon.

A private letter—a public statement

From Mr. I. Heggie

Sir,—On January 29 you published a full account of an article in New Scientist accusing me, amongst other things, of threatening Oxford University with, "No job, no government research contracts." I have taken legal advice about the article with a view to instituting proceedings for libel, but have reached the conclusion that I would rather have the freedom to state my case publicly than to engage in litigation.

The article bases its allegations on a private letter written from me, as director of the Oxford University Transport Studies Unit, to Dr. Goodwin, who was then my assistant. It was written in the cryptic shorthand common to correspondence between scientists who were close colleagues and I must frankly admit that it is open to misinterpretation by those without specific knowledge of the background.

The context in which it was written was as follows. I was the founder and director of the Oxford University Transport Studies Unit (TSU), a post which carried the status and salary of a reader, and was on a temporary full-time leave of absence while acting as special adviser to the then Minister of Transport. My leave ran until October 1980, when I could again have assumed my full-time University post. The reference in the New Scientist to me trying to get a University readership is a red herring. The University had for some years been seeking to combine the two posts of director and reader and had asked whether I wished the amalgamation to proceed during my tenure. I did not and my letter merely referred to a slightly different arrangement of these two posts.

The lifeblood of the TSU consists of research contracts. They provide 80 per cent of its income and pay for all its research staff. When I was invited by the then Minister of Transport to become his part-time special adviser, I expected, in accordance with past practice, that the University would permit me leave of absence for two days per week so that I could accept the position offered while still retaining my active position as director of the TSU. The University was not, however, prepared to release me on this basis and with reluctance I agreed to take full-time leave of absence for the initial one-year contract offered by the Department of Transport. Thus, at November 1, 1979, I was contracted to the Department of Transport for 2½ days per week but at the same time—and with its full knowledge—spent the other 2½ days per week working as a consultant.

Shortly after taking up my new post it became apparent to me that the TSU was likely to suffer by reason of my absence. At the time I left all the TSU's research contracts had been secured by me and were being held in my name. Only one was not directly related to a specific research interest or line of inquiry initiated by me. The last thing I wanted was that the TSU, which I had founded and nurtured, would suffer during my absence. I was deeply concerned that, being self-employed for part of my time, I was having to seek research work and consultancies which normally I would have secured on behalf of the TSU to be done there by its staff under my direction. I furthermore, secured these as a result of my technical competence, not because I had any "influence" over government or anyone else.

Evidence of my concern is clear from the fact that I went out of my way to try to produce joint proposals. One of these related to a proposal on road safety for the World Bank; another was about light tramways for South Yorkshire PTE.

By mid-March 1980, when the letter was written, the terms of my leave of absence were demonstrably unsatisfactory and Dr. Goodwin, my assistant, and I, were due to meet to discuss the arrangements 12 days later. The TSU was finding it difficult to secure follow-on contracts while I, still remaining as director and feeling responsible for its welfare, was increasingly conscious of the "nonsense" of trying to take work away from the TSU for some other employer. This was particularly true of the possible contract on travel time. This was a subject on which I had considerable, if not unique, expertise and I not unreasonably considered that, had I remained as full-time director of the TSU, it would have greatly enhanced its technical chances of securing this contract.

In the event I played no part in attempting to secure the contract for any of the participating firms. This highlights a glaring inaccuracy in the New Scientist article. Quite properly, and in accordance with the civil service code of conduct, I excluded myself from any dealings with RPT Economic Studies Group or its colleagues in connection with their proposal and instead made my expertise available by joining the department's steering committee. I furthermore physically absented myself from any meetings where individual consultants were discussed. Further, the proposal submitted by the consortium of which ESG formed a part, listed all the staff it intended to work on that contract. Contrary to what the article in New Scientist stated, my name was not included as a consultant, nor indeed in any other capacity.

I should add that any alteration in the terms of my leave of absence would have been to my financial disadvantage. As a part-time consultant, I earned at least 50 per cent more than I would have as part-time director of the TSU. My concern was wholly with the Unit's future and there was no need for me to threaten to use my "influence" (which I did not have) to secure the post I already held, for a salary considerably less than that I was already receiving. I merely stated the facts of life: either I had to use my technical expertise on behalf of the TSU, or on behalf of my other employer. I could not do both.

Ian Heggie.
The Barn,
Barton Lane,
Old Headington, Oxford.

Windfall tax on banks

From the Head of Public Affairs Committee of London Clearing Bankers

Sir,—Whatever else one might say about the mood of clearing bankers as they face the prospect of a "windfall" profits tax, it is emphatically not one of resignation (Lex, February 3).

The banks have argued strongly that if allowance is made for inflation, cyclicality and the risks now attached to their loans, their profits are not excessive. They remain hopeful that the Government will come to the same conclusion.

Ian Morison,
Public Affairs Unit,
Committee of London Clearing Bankers
10 Lombard Street, EC3.

Soviet tanks in Iraq

From Mr. P. Malenkov

Sir,—Your front page article (February 3) alleging that Soviet tanks were being sent to Iraq via Saudi Arabia is unworthy of a serious newspaper.

The allegation is a malicious subterfuge. The details of the story are absurd. The idea that these 100 tanks were driven 1,000 miles across Saudi Arabia to escape detection by British and U.S. intelligence is a sensation which would be more in place on a jokes' page.

It is interesting that in the same article you write of the British Government conducting a review of its previous policy on arms supplies to the Middle East area. Of course, if columns of Soviet tanks are secretly rumbling across Saudi Arabia to Iraq, then it would be a wonderful argument for resuming lucrative arms sales to the area of the Iran-Iraqi conflict.

Wishful thinking, however, is no excuse for a malicious and dangerous hoax.

Piotr Malenkov,
Novosti Press Agency,
4, Zubovsky Boulevard,
Moscow, USSR.

Today's Events

GENERAL

UK: Lord Soames, Lord President of the Council, meets Civil Service unions on pay claim.

Mr. David Howell, Energy Secretary, speaks on economic implications of North Sea oil, to Institute for Fiscal Studies, *Grosvenor Hotel, SW1.*

Mr. Bill Sirs, Iron and Steel Trades Confederation general secretary, addresses Cardiff Business Club, Royal Hotel.

Newspaper unions meet Mr. Rupert Murdoch's negotiators on Times Newspapers manning and discipline.

BL white collar union leaders meet management for talks on job cuts, Warwick.

Inland Revenue Staff Federation starts two-day consultative meeting on pay claim action.

British Airports Authority applies for injunction against foreign airlines withholding increased landing fees.

Labour Party's organisation sub-committee meets to discuss trade union affiliations.

Overseas: European Central Bankers meet in Basle.

Sir Roy Denman, European Commission's director-general for external affairs, arrives in Washington for EEC/U.S. trade talks.

EEC Fisheries Council starts two-day meeting in Brussels to discuss new fisheries policy.

European Parliament session opens, Luxembourg (to February 13).

PARLIAMENTARY BUSINESS

See *Parliamentary Diary* on Page 5.

OFFICIAL STATISTICS

Wholesale price index numbers (January — provisional). Retail sales (December—final). Hire purchase and other instalment credit business (December).

COMPANY MEETINGS

See *Financial Diary* on Page 16.

U.S. 'raid' on Howard Machy

BY TERRY GARRETT

IN AN unusually timed market raid, minutes before the official close of business on Friday afternoon, just under 15 per cent of the share capital in loss-making **Howard Machinery** was snapped up by **Diamond Industries** of the U.S.

Diamond is a private family-owned company based in Delaware, *with interests in energy* companies and a near 10 per stake in Wall Street broker Bache, recently bought from the diversified interests of the Hunt Brothers.

Solicitor Mr. Eric Levine is acting for Diamond in London. On his instructions stockbrokers Schaverien bought 4.3m shares in Howard shortly before 3.30 pm on Friday at 25p a share, at a cost of just over £1m.

In the market Howard's shares at 22p were standing 1p short of the 1980-81 high, valuing the agricultural machinery company at £6.3m.

Schaverien bought the 14.9 per cent holding from brokers Montagu Lobel Stanley.

Mr. Robert Froy, partner of Montagu Lobel, said yesterday that the shares were sold on *behalf of around 40 private* clients. No large shareholdings were involved.

Montagu Lobel's connections with Howard Machinery on an investment basis go back to the sixties when the company was known as Rotary Hoes. Mr. Froy said yesterday that his firm's private clients held further shares in Howard.

Mr. John A. Howard, deputy chairman of Howard Machinery, said yesterday that the first he knew of the purchase by Diamond was late Friday evening.

Prior to then he had not heard of Diamond and had not had any discussions with that company or Mr. Levine.

He added that the company might be making a statement later today but that could depend on any further announcement made by Diamond.

East Anglian-based Howard revealed last December that it incurred a loss of £5.8m for the year to October 31, 1980, after extraordinary items.

News of the very poor results was released with details of the sale of its subsidiary J. Mann and Son to the West German Claas group for £6.5m in cash.

Howard indicated that the pre-tax loss for the company was around £3m compared to a profit of £1.23m which included a £2.57m contribution from Mann.

Following the sale of Mann, Howard's bankers agreed to make available a level of facilities providing a margin over the directors' estimates of working capital needs for the current year.

The pro-forma balance-sheet showing the effects of the Mann sale indicated borrowings of £9.1m against shareholders' funds of £17m.

Interest checks Medens

STRUCK after interest, up from £0.99m to £1.3m pre-tax profits of **Medens Trust**, unquoted Isle of Wight-based finance company, improved by eight per cent to £352,318 for the half year ended December 31, 1980, compared with £325,670.

Mr. Alford Collins, chairman, says that new business is continuing at an acceptable level and directors are hopeful, despite the difficult economic climate, that this situation can be maintained for the rest of the year.

The interim dividend is unchanged at 0.5p net per 10p share, costing £62,731 — last year's pre-tax surplus was £750,367 of which the total dividend absorbed £188,193.

After first-half tax of £187,973 against £177,997, and dividends, the amount retained came through at £101,614 (£84,942).

As at December 31, shareholders' funds were £2.98m (£2.88m), borrowings £16.02m (£15.65m), and receivables from customers stood at £19.04m against £18.74m.

Under current legislation, Medens is designated a licensed deposit-taking institution, by the Bank of England.

British Aerospace on offer at 150p

THE PROSPECTUS is published today for the offer for sale of up to 100m shares of **British Aerospace** for £150m.

This is the first of the Government's planned denationalisation exercises and involves the issue of 66.6m new shares by the company to raise £99m and the sale of up to 33.3m shares by the Government, depending on how many of 6.5m shares being offered to employees are taken up. The shares are priced at 150p.

The Government's stake in British Aerospace will decline to between 48.37 per cent and 50 per cent as a result of the issue.

British Aerospace was formed in April, 1977 after the nationalisation of British Aircraft Corporation, Hawker Siddeley Aviation, Hawker Siddeley Dynamics and Scottish Aviation. The offer price values the company at £300m.

Net tangible assets at June 14, 1980, adjusted to include the proceeds of the issue, amounted to £592m and borrowings were £32.6m on January 1, 1981.

The company forecasts that 1981 profits will be much the same as the £65m estimated 1980 profit, which is restated to include interest income from the £99m proceeds of the issue.

Applications must be received by Friday.

● comment

British Aerospace is in better shape than most of British manufacturing industry. Sales are estimated to have risen by a third last year while trading profits grew by a fifth, mainly because of buoyant military aircraft sales. However, the cost of launching new civil aircraft is cutting deeply into both profit and cash flow. Pre-tax profit is estimated to have gained only marginally last year to £52m and, adjusting for the interest to be earned on the proceeds of the offer for sale, no progress is expected this year either. The offering price of 150p is only about one half of underlying asset value but the 9.6 p/e on fully taxed estimated 1980 profit suggests that there may not be any quick profits to be made from this issue. The prospective 7.4 yield is covered more than three times by the estimated 1981 profit on an historic cost basis. The dividend may be covered on a current cost basis if inflation falls this year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether dividends are interims or finals.

TODAY

Interims:—R. P. Martin, Murray Caledonian Investment Trust.

Finals:—Broadstone Investment Trust, Manchester Ship Canal, Murray Western Investment Trust.

FUTURE DATES

Interims:—

Dale Electric International	Feb. 20
Guildhall Property	Feb. 12
Macallan-Glenlivet	Mar. 27

Finals:—

Cardinal Investment Trust	Feb. 12
Ford (Martin)	Feb. 11
Gen. Consolidated Invst. Trust	Feb. 18
Hirst and Mallinson	Feb. 13
IMI	Mar. 17
Macpherson (Donald)	Feb. 10
Royal Insurance	Mar. 2
Whittingham (W.)	Feb. 19
Yeoman Investment Trust	Feb. 18

FT Share Information

The following securities have been added

Argosy Gold Mines (Mines—Australian). **Independent Investment Company** (Investment *Trusts*). ***Plantation & General* Investments** (Trusts, Finance, Land).

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

BOARD MEETINGS—
Finals:
Broadstone Inv. Tst.
Manchester Ship Canal
Murray Western Inv. Tst.
Interims:
Martin (R. P.)
Murray Caledonian Inv. Tst.

DIVIDEND & INTEREST PAYMENTS—
Austin (E.) (London) 0.425p
C.H. Industrials 0.9075p
Coalite 1.36p
Electric and General Inv. 0.95p
Huletts Corp. 6.68784p
Murray Caledonian Inv. Tst. 1p
Warner Holidays Ord. and A 0.5p
Westward Television C Non-Vtg. Ord. 0.85p

TOMORROW

COMPANY MEETINGS—
Archimedes Inv. Tst., 37, Queen Street, EC, 12.30
Baggeridge Brick, Midland Hotel, Birmingham, 12.30
Johnson and Firth Brown, Royal Victoria Hotel, Sheffield, 3.00
NSS Newsagents, Ryde House, Chobham Road, Woking, Surrey, 2.30
New Sylhet, Blue House, Washington, Tyne and Wear, 2.30
Tomkinsons Carpets, Duke Place, Kidderminster, 12.00

BOARD MEETINGS—
Finals:
City Offices
Crescent Japan Inv. Tst.
Crest Nicholson
Ladies Pride Outerwear
Macpherson (Donald)
Plastic Construction
Interims:
Crouch Grp.
Syltone

DIVIDEND & INTEREST PAYMENTS—
American Express 50cts
Archimedes Inv. Tst. Inc. 3.9p
British Tar Products 0.525p
Greater London 12½pc 1983 6¼pc
Malaysia 7½pc 3¾pc, 7½pc 1978-82 3¾pc
Management Agency and Music 5.95p
Marling Inds. 0.42p
Scottish Inv. Tst. 2.6p
Tomkinsons Carpets 2p

WEDNESDAY, FEBRUARY 11

COMPANY MEETINGS—
Westland Aircraft, Hyde Park Hotel, Knightsbridge, SW 12.00

BOARD MEETINGS—
Finals:
Anglo-American Secs.
Arden Cobden and Norfolk Hotels
Ford (Martin)
Intnl. Inv. Tst. of Jersey
Moorside Tst.
Interim:
Press Tools

DIVIDEND & INTEREST PAYMENTS—
Baggeridge Brick 2.5p
British Building and Engineering Appliances 1p
Charterhouse Japhet Intnl. Finance BV Grd. Fltg. Rate Notes 1985 US$55.58
Guinness (Arthur) 3.325p. Lns. 3½ 5pc
Marsh and McLennan Inc. 50cts
NSS Newsagents 2.2p
Ransome Hoffmann Pollard 3.46p

THURSDAY, FEBRUARY 12

COMPANY MEETINGS—
Hickson and Welch, 140, Buckingham Palace Road, SW, 11.30
North Midland Construction, Portland Works, Portland Street, Daybrook, Nottingham, 12.00
Serck, Midland Hotel, Birmingham, 12.00
Stenhouse, Central Hotel, Gordon Street, Glasgow, 12.00
United Spring and Steel, Birmingham Chamber of Commerce, 75, Harborne Road, Birmingham 12.00

BOARD MEETINGS—
Finals:
Cardinal Inv. Tst.
Imp. Grp.
Renown
River and Merc. Tst.
River Plate and Gen. Inv. Tst.
Scottish Agri. Inds.
Thermal Syndicate
Tribune Inv. Tst.
Interims:
Banks (Sydney C.)
Centrovincial Ests.
Cook (William) (Sheffield)
Douglas (Robert M.)
Dowty
Guildhall Property
Hampson Inds.
Kinta Kellas Rubber Ests.
Malaysia Rubber
Ransom (William)

DIVIDEND & INTEREST PAYMENTS—
Lep Group 4p
North Midland Construction 1.5p
Turnbull Scott Ord. and A 3p
UKO Intnl. 2p
Westland Aircraft 3.5p

FRIDAY, FEBRUARY 13

COMPANY MEETINGS—
Plaxtons (Scarborough), Royal Hotel, Scarborough, 2.30

BOARD MEETINGS—
Finals:
Hirst and Mallinson
Pentland Inv. Tst.
St. Andrew Tst.
Wagon Finance

DIVIDEND & INTEREST PAYMENTS—
Anderson Strathclyde Ln. 3½pc
Bank of Communications Fltg. Rate Notes 1985 US$575
Brown (N.) Invs. 1p
Brunswick Corp. 22.5cts
Greene, King 2.1p
Hanover Invs. Ord. and NV 0.7p
Imperial Continental Gas Assoc. 2.7p
Kleinwort Benson Finance BV Gtd. Fltg. Rate Notes 1991 US$218.82. Gtd. Fltg. Rate Notes 1991 US$218.82
Liverpool Daily Post and Echo 5pcPf. 1.75pc
Lloyds and Scottish 3.7p
M and G European and Gen. Fund 0.842pc
Scottish Metropolitan Property Dbs. 3⅛ 3⅛ (1979-84) 3⅟₁₆ (1988-93) pc Ln. 4½pc
Serck 2.2p
Standard Chartered Bank Fltg. Rate Cap. Notes 1990 US$57.5. Fltg. Rate Cap. Notes 1990 US$57.50
Stead and Simpson Ord. and A 1p
Trans-Oceanic Tst. 4.5p
United Spring and Steel 1.1075p
Vaux Breweries 4.62p

SATURDAY, FEBRUARY 14

DIVIDEND & INTEREST PAYMENTS—
African and European Inv. Pf. 3pc
Burmah Oil Ln. 3¼pc
Cohen (A.) Ord. and A 2.6p

SUNDAY, FEBRUARY 15

DIVIDEND & INTEREST PAYMENTS—
Abbott Laboratories 30cts
Borg Warner Corp. 62cts
Bristol (C. of) 13pcRed. 1985 6½pc
Chase Manhattan Corp. 77.5cts
Colgate Palmolive 28cts
Greater London 6¾pc 1990-92 3⅜pc.
Intnl. Bank for Reconstruction of Development 5pc 1977-82 2½pc 13¼pc 1984 6⅝pc
Kenya 5pc 1978-82 2½pc
M and G Second General Tst. Inc. 5.02p
Sears Ln. 3¾pc
Southwark 12½pcRed. 1987 6¼pc
TSB Gilt Fund 3.5pc
Treasury 3pc 1982 1½pc
Treasury 3½pc 1979-81 1¾pc
Zapata Corp. 10cts

SPAIN

1981 High	Low		Feb. 6 Price %
280	203	Banco Bilbao	280
324	217	Banco Central	324
262	206	Banco Exterior	252
265	200	Banco Hispano	265
137	120	Banco Ind. Cat.	123
175	141	Banco Madrid	141
329	237	Banco Santander	329
190	140	Banco Urquijo	171
303	208	Banco Vizcaya	303
226	200	Banco Zaragoza	226
117	75	Dragados	115
62	45	Espanola Zinc	48
59.7	53.2	Fecsa	57.2
40	22	Gal. Preciados	34.5
71.7	58.7	Hidrola	65.7
63	56	Iberduero	58
120	77	Petroleos	91.2
80	59	Petroliber	75
115	63	Sogefisa	102
63.5	51.5	Telefonica	61
67	58.2	Union Elect.	63.7

£000's capitalisatn.	Company	Last price	Change on week	Gross Div (p)	Yield %	P/E
3,584	Airsprung	62	−1	6.7	10.8	5.6
1,050	Armitage and Rhodes	42	+1	1.4	3.3	17.3
11,548	Bardon Hill	189	—	9.7	5.1	7.1
7,231	Deborah	94	—	5.5	5.9	4.7
4,124	Frank Horsell	110	−2	6.4	5.8	3.4
7,512	Frederick Parker	52	−3	11.0	21.2	2.4
1,576	George Blair	74	−3	3.1	4.2	—
2,675	Jackson Group	107	—	6.9	6.4	4.1
16,424	James Burrough	119	−1	7.9	6.6	9.8
3,366	Robert Jenkins	330	—	31.3	9.5	—
2,580	Scruttons "A"	53	—	5.3	10.0	3.8
3,308	Torday	215	−1	15.1	7.0	3.7
2,671	Twinlock Ord.	12½	—	—	—	—
2,075	Twinlock 15% ULS	76	—	15.0	19.7	—
5,646	Unilock Holdings	37	+1	3.0	8.1	5.7
12,906	Walter Alexander	102	+1	6.7	5.6	5.6
6,068	W. S. Yeates	260	+2	12.1	4.7	4.2

INTERNATIONAL BONDS

BY PETER MONTAGNON

Market baulks at new issues

IT WAS an old story with a new twist last week as a window for fixed rate issues opened in the Eurodollar bond market on the back of Wednesday's rally in the New York market.

No less than five such bonds were launched on Thursday for a total value of $400m and bankers immediately began to suspect a rerun of the events of early January, when the market found itself unable to cope with a flood of new issues all at once. But on Friday two of the new issues, for British Columbia Railways and Continental Illinois, were postponed and other issues strongly mooted by traders simply failed to appear.

For once the underwriting community had apparently balked at the prospect of taking aboard a large volume of new paper at a time when prices were falling. This, said some, was a return to sanity. It signalled an end to the all-too-prevalent practice of issues being launched on aggressive pre-set terms in the hope of an improvement in market conditions during the subscription period.

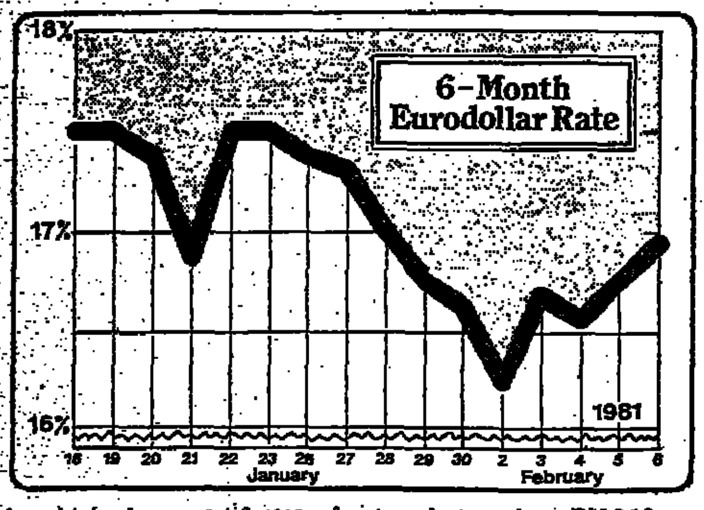
Others, however, were not so sanguine. They pointed out that unlike early January, there were now no general expectations of a fall in the U.S. rates. On Thursday, Mr. Paul Volcker, chairman of the Federal Reserve, said that U.S. rates would remain high for the time being. The same evening President Reagan announced that the U.S. budget deficit in fiscal 1981 would be as high as $80bn.

With a backlog of borrowers waiting to get into both the U.S. domestic market and the Eurodollar market, such predictions could only dampen hopes of a fall in long-term rates.

In the event, short-term rates moved higher too last week; with six-month Eurodollars gaining 1/16 points to £16 11/16 while average Eurobond prices slid ½ points.

For those who do still expect a fall in rates by September, the warrants attached to the Citicorp $250m FRN launched on Friday offer an extra incentive. They can be used to purchase 10-year bonds at par with a fixed coupon of 12¾ per cent.

At the same time the 3½-year notes themselves, which pay interest at the three-month London interbank bid rate for three-month dollars, offer a yield about ¼ per cent above what can be obtained on certificates of deposit.



The star performer last week was perhaps Ford Credit's 16 per cent issue which was raised to $125m from an original $100m by the lead manager, Goldman Sachs. The secret of its success lay in its record high coupon, which attracted strong interest, particularly among German retail investors. Such investors are now mesmerised by the weakness of their own currency, which sank at one stage last week to DM 2.16 per dollar, a four-year low.

This exchange market volatility made for continuing difficult conditions in the D-Mark foreign bond sector, where prices of seasoned issues fell a further 1½ points.

The Capital Markets Subcommittee at its meeting on Tuesday tentatively agreed that two new issues could be launched this month, both for supranational borrowers. But whether the bonds, DM 120m for the European Coal and Steel Community and DM 100m for the Inter-American Development Bank, will get off the ground depends on market conditions being favourable, a prospect that still seemed remote on Friday night.

The Swiss franc foreign bond market was also hit by the strength of the dollar during the week and prices fell by an average of one point overall.

New issue yields seem to have stabilised, however, with the coupon on the SwFr 80m Transamerica Corporation issue being set at 6⅜ per cent compared with one of 6½ per cent on the preceding issue for Banque Francaise du Commerce Exterieur.

Lead Swiss banks have also decided to refine their new issue techniques to ward against situations where smaller underwriters are tempted to offload unplaced paper in the secondary market. This had no immediate impact on prices but bankers hope that the new system, coupled with the recent rise in new issue yields, will put an end to the run of new bonds that have fallen to an immediate discount in secondary market trading.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead managers	Offer yield %
U.S. DOLLARS							
‖††Kingdom of Denmark	100	1988	7	*	*	Lehman Bros., Kuhn Loeb	*
‡Ford Credit O'seas Fin.	125	1984	3	16	100	Goldman Sachs	16.000
‡SNCF (g'teed France)	75	1991	8½	13	100	Societe Generale	13.000
§Tipco Fin. NY (g'teed Texas Intl.)	30	1996	15	8-8½	100	Paribas	*
‡Ontario Hydro	100	1991	10	13½	100	Deutsche Bank	13.500
‡Tribune Co.	50	1986	5	14	100	Salomon Bros.	14.000
Eldorado Nuclear	50	1986	5	13½	99½	Wood Gundy	13.394
‖Brit. Columbia Railways	100	1991	10	13½	*	Wood Gundy	*
‖‡Continental Illinois O'seas Fin.	100	1984	3	13½	100	Morgan Stanley	13.500
††Citicorp O'seas Fin.	250	1984	3½	—	100	CSFB	—
FRENCH FRANCS							
‡§Lafarge-Coppe	190	1991	10	11½, 11½	100	CCF	11.34
SWISS FRANCS							
‡Council of Europe	60	1991	—	6½	100½	Banca del Gottardo	6.181
‡BFCE	100	1991	—	6½	100	Credit Suisse	6.500
‡**§RCC Intl.	18	1988	—	6½	100	Cie B'que et d'Invs., Paribas (Suisse)	6.606
‡Transamerica O'seas Fin.	80	1991	—	6⅜	100	SBC	6.375
‡**Kubota	60	1986	—	6½	100	SBC	6.500
‡**Kubota	40	1987	—	6⅝	100	SBC	6.625
‡**Ford O'seas Fin. NV	70	1986	—	6¾	100	UBS	6.750
LUXEMBOURG FRANCS							
‡**Westland-Utrecht Hypobk.	250	1986	5	13	100½	Kredietbank (Luxem.)	12.858
GUILDERS							
**MacMillan Bloedel	40	1988	7	11	100	Pierson Heldring en Pierson	11.000
YEN							
‡Kingdom of Sweden	20bn	1993	10.32	8½	99½	Nomura Secs.	8.751
GOLD							
Refinemet Intl. NV	100,000oz	1996	13½	3-4	100	Drexel Burnham Lambert	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. ‖ Cancelled.
Note: Yields are calculated on AIBD basis.

U.S. BONDS

BY DAVID LASCELLES

Treasury crowds out the rest

THE U.S. CREDIT scene was completely overshadowed last week by the Treasury's record $8.5bn quarterly financing, though there was plenty else happening which could influence the market in the days ahead.

Wall Street managed to digest this immense meal, which was designed to raise $3.6bn in new cash to cover the expanding deficit, but only by pushing down prices for the second week running.

The first part on Tuesday, was $3.75bn in 3½-year notes which fetched a record yield of 13.37 per cent on Wednesday, $2.5bn in 10-year notes yielded 12.89 per cent, and on Thursday, $2.25bn in 30-year bonds, came in at 12.68 per cent. The two latter yields were slightly below last year's records.

The market was particularly worried about the long bond: apart from the fact that it was larger than expected, it showed how shaky the long end of the market still is, despite the improvement shown in the early weeks of this year. Although the market usually braces itself well in advance of a Treasury financing, it was nervous right up to the last minute this time, and was even retreating after the refinancing had got under way.

The net result was a rise in rates over the week of up to half a point in the long and intermediate market, though some short rates fell in parallel with a decline in the Fed funds rate.

The Treasury operation made it particularly difficult to gauge the workings of the Fed, which intervened a number of times in the Fed funds market. This had to some extent been expected because there is a seasonal excess of reserves at the moment. Some analysts believed the central bank was tolerating a drop in short rates (a view reinforced by the fact that the Open Market Committee met on Tuesday). But the prevailing view was that while the Fed was indeed standing back as rates fell, this carried no credit policy implications. Rather the opposite. Despite the three-week fall in the money supply, there seems to be every reason for the Fed to stick to its guns.

In congressional testimony on Thursday, Mr. Paul Volcker, the Fed's Chairman, reaffirmed his commitment to fight inflation, even at the cost of higher interest rates, and this depressed prices.

The Treasury crowded most corporate borowers out of the market last week, though several utility and local government issuers whose credit needs are inflexible sold notes and bonds.

The high level of rates and the slim prospect that they will come down increase, however, the dilemma for corporate borrowers who need to restructure their balance-sheets. Typical of these is Union Carbide, which has repeatedly postponed the $200m bond issue it originally planned for the first part of January when it looked as though rates were improving.

The queue has now been joined by another big corporate name, Boeing, which plans an offer of $250m of 25-year bonds, to be handled by First Boston. The proceeds will be used to finance development of the aerospace giant's new 757 and 767 jets, and for other uses. General Electric Credit has slated a total of $250m in senior and subordinated notes.

This week will probably bring to market the latest rescue financing for Chrysler: $400m in government-guaranteed notes, lead managed by Salomons.

U.S. INTEREST RATES (%)

	Week to Feb. 6	Week to Jan. 30
Fed funds wkly. av.	17.09	17.19
3-month Treas. bills	15.06	14.46
3-month CDs	16.25	15.40
30-year Treas. bonds	12.57	12.35
AA industrial	13.63	13.63
AAA utility	14.50	13.87

Source: Salomon Bros., estimates.

CREDITS

BY FRANCIS GHILES

Banks find Mexico too cheap

UNMISTAKABLE signs of resistance to loans offering a low return to banks emerged on Friday when Bank of America decided to change the *terms on a loan it is leading for* Mexico's Nacional Financiera.

Bank of America had been sounding out the market on Thursday and Friday on a $300m loan for Nafinsa, which was split into two equal tranches. The first included a four-year maturity with 2½ years grace and an average life of 3½ years. Banks could choose between a ½ per cent margin over London inter bank offered rate (Libor) or a ⅞ spread over the U.S. prime rate.

The second tranche included a six-year maturity with four years grace at a ⅝ per cent spread over Libor or a 1/16 margin over prime. The front end fee on the first tranche was to have been ⅜ and on the second ⅜.

Bank of America's market testing showed that $300m could not be sold on such "microscopic spreads," to quote one banker who was offered the paper. The banker argued that the return to participants could not have covered overheads.

In the confusion prevailing on Friday, it was not clear whether new terms would be agreed between lead manager and borrower and the loan relaunched immediately or whether there would be further delays.

Last week's incident is all the more significant in that it happened to one of the market's blue-eyed boys, a public sector borrower coming from a country which has been able to command very fine terms indeed during the past year. But it *should not* be taken to *suggest* that margins will rise in the near future.

Another Mexican borrower, *the privately owned* Femsa beverage and brewing subsidiary of the Visa group, is raising $150m in a two-tranche operation which is structured as a 2½-year revolving credit converting to a 7½-year loan.

The first tranche is for $25m on a spread of 1½ per cent over Libor for the first four years declining to 1 per cent for the last six. The second includes a spread of 1¼ per cent for the first five years rising to 1½ per cent for the last five. Lead managers include Crocker National, EBC, First Chicago Panama, Fuji Bank, Multibanco Comermex, RBC and United California Bank. It is widely expected that Pemex will launch a $100m FRN in the very near future.

Venezuela meanwhile continues to raise short-term loans Corporacion Venezolano de Fomento is raising $100m for 12 months on a spread of ½ per cent over Libor with European Banking Company acting as agent, while Instituto Nacional de la Vivienda has mandated Orion Bank to raise $54m for the same period on a spread of 9/16th.

The management group which Morgan Guaranty is putting together for the $1bn jumbo for the Kingdom of Sweden had 28 names by last Friday and all pointed to a successful outcome.

A number of Italian Banks have decided to join the $2bn loan for Italy being put together by Bankers Trust. There is still *resistance, however, from some* Italian and international banks which say that they are close to their lending limit for Italy and do not care much for the fine margin.

In Tokyo, the Ministry of Finance has not yet let it be *known whether it will allow* Japanese banks to subscribe for more than the usual 20 per cent of the total amount.

Belgium is expected to borrow as much abroad this year as it did in 1980. Figures released last week by the Central Bank *showed* that the *country's* foreign currency debt had risen from BFr 15bn in April 1979 to BFr 270bn ($8bn) at the end of December last year.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	1,846.2	3,517.6
Previous week	2,103.8	3,513.0
Other bonds		
Last week	372.5	424.0
Previous week	306.7	422.0

* No information available—previous day's price.

† Only one market maker *supplied a price*.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is *in millions of currency units* except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. *Prem* = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit *Lyonnais; Commerzbank* AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on February 6

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

HONG KONG

JAPAN

ITALY

NORWAY

SWEDEN

SWITZERLAND

GERMANY

AUSTRALIA

SOUTH AFRICA

BRAZIL

TEL AVIV

AUSTRIA

BELGIUM/LUXEMBOURG

FRANCE

DENMARK

SINGAPORE

Indices

NEW YORK —DOW JONES

	Feb. 6	Feb. 5	Feb. 4	Feb. 3	Feb. 2	Jan. 30	1980-81 High	1980-81 Low	Since C'mpil't'n High	Since C'mpil't'n Low
●Industr'ls	952.30	946.76	941.98	941.38	932.25	947.27	1004.69 (6/1/81)	759.13 (21/4)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	63.83	63.92	63.52	63.67	63.91	63.95	76.61 (25/6)	60.96 (18/12)	—	—
Transport.	408.64	404.70	400.62	396.58	392.70	402.22	425.68 (28/11)	233.69 (27/3)	425.68 (28/11/80)	12.23 (8/7/32)
Utilities	112.20	111.29	110.81	111.21	111.50	112.62	117.81 (5/1/81)	95.04 (27/3)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	45,820	45,320	45,520	45,950	44,070	41,160	—	—	—	—

●Day's high 959.98 low 944.20

Ind. div. yield %	Jan. 30	Jan. 23	Jan 16	Year ago (approx)
	6.75	5.79	5.58	6.50

STANDARD AND POORS

	Feb. 6	Feb. 5	Feb. 4	Feb. 3	Feb. 2	Jan. 30	1980-81 High	1980-81 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	148.15	145.92	145.62	145.56	143.73	146.88	160.96 (28/11)	111.09 (27/3)	160.96 (28/11/80)	3.52 (30/6/32)
§Composite	130.60	128.63	128.59	128.46	126.91	129.55	140.52 (28/11)	98.22 (27/3/80)	140.52 (28/11/80)	4.40 (1/6/32)

	Feb. 4	Jan. 28	Jan. 21	Year ago (approx)
Ind. div. yield %	4.70	4.57	4.53	4.92
Ind. P/E Ratio	9.09	9.23	9.30	8.22
Long Gov. Bond Yield	12.32	12.11	12.13	11.88

N.Y.S.E. ALL COMMON

Feb. 6	Feb. 5	Feb. 4	Feb. 3	1980/81 High	1980/81 Low
74.83	74.51	73.64	73.49	81.02 (28/11)	55.30 (22/1/80)

Rises and Falls	Feb. 6	Feb. 5	Feb. 4
Issues Traded	1,864	1,885	1,889
Rises	922	1,082	914
Falls	601	443	566
Unchanged	341	360	409
New Highs	—	43	31
New Lows	—	7	10

MONTREAL

	Feb. 6	Feb. 5	Feb. 4	Feb. 3	1980/81 High	1980/81 Low
Industrials	374.18	368.24	365.77	363.75	428.80 (29/2/80)	283.31 (27/3)
Combined	355.16	350.94	348.65	346.19	378.96 (20/10)	286.98 (27/3)
TORONTO Composite	2249.7	2232.0	2214.9	2195.9	2402.2 (28/11)	1702.5 (27/3)

	Feb. 6	Feb. 5	Feb. 4	Feb. 3	1980/81 High	1980/81 Low
AUSTRALIA						
All Ord. (1/1/80)	651.5	650.1	647.0	644.8	746.2 (17/11)	509.1 (3/1/80)
Metal & Minrls. (1/1/80)	602.0	599.5	596.5	592.7	818.0 (17/11)	482.3 (28/3)
AUSTRIA						
Credit Aktien (2/1/62)	64.52	64.51	64.68	64.44	69.40 (7/1/80)	64.36 (20/1/81)
BELGIUM						
Belgian SE (31/12/63)	83.59	83.45	83.52	83.70	105.75 (11/2/80)	82.42 (7/1/81)
DENMARK						
Copenhagen SE (1/1/73)	101.45	101.05	100.69	101.17	102.21 (30/1/81)	74.78 (5/3)
FRANCE						
CAC General (29/12/61)	107.5	106.8	106.3	105.2	120.5 (5/11)	97.1 (3/1/80)
Ind Tendance (31/12/80)	89.7	96.9	98.5	97.5	100.0 (31/12/80)	95.4 (27/1/81)
GERMANY						
FAZ-Aktien (31/12/58)	217.32	218.91	217.26	216.53	238.89 (25/2/80)	212.73 (28/3)
Commerzbank Dec. 1953	671.4	676.7	672.6	668.9	749.2 (25/2/80)	667.0 (27/3)
HOLLAND						
ANP CBS General (1970)	89.5	88.6	88.6	88.0	99.5 (6/2/81)	74.0 (27/3)
ANP-CBS Indust. (1970)	67.3	66.9	66.5	66.3	68.2 (11/1/80)	58.2 (26/3)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	(c)	1650.82	1641.00	1654.57 (13/11)	738.9 (19/3)
ITALY						
Banca Comm. Ital (1972)	208.27	206.84	198.85	201.90	211.95 (30/1/81)	85.11 (2/1/80)
JAPAN						
Dow Average (16/5/49)	7264.11	7273.44	7288.41	7291.51	7622.06 (2/2/81)	6475.95 (27/3)
Tokyo New SE (4/1/68)	508.54	509.99	510.40	510.23	511.94 (2/2/81)	449.01 (18/3)
NORWAY						
Oslo SE (1/1/72)	117.15	118.88	117.32	117.68	144.78 (14/2/80)	110.12 (28/3)
SINGAPORE						
Straits Times (1966)	(c)	(c)	(c)	751.19	751.19 (3/2/81)	429.75 (3/1/80)
SOUTH AFRICA						
Gold (1958)	—	619.9	604.0	669.9	1026.1 (22/9)	486.5 (18/3)
Industrial (1958)	—	545.6	540.1	537.2	660.5 (5/11)	458.0 (2/1/80)
SPAIN						
Madrid SE (30/12/80)	108.67	109.20	109.22	108.67	109.97 (6/2/81)	100.0 (30/12/80)
SWEDEN						
Jacobson & P. (1/1/58)	460.6	440.27	436.12	430.57	450.6 (6/2/81)	334.72 (17/1/80)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	291.6	291.1	289.2	287.1	317.9 (11/2/80)	275.0 (28/3)
WORLD						
Capital Intl. (1/1/70)	—	154.7	155.9	155.0	164.8 (28/11)	128.6 (27/3)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Continental Air.	910,300	11¾	+ ⅞	Union Oil	444,600	39⅞	− ½
Amer. Airlines	700,000	11¼	+ ¼	Exxon	427,300	74¾	− ⅝
General Motors	514,800	48¼	+ ¼	Std Oil Indiana	300,100	69¾	—
UAL	499,000	23¼	− ¼	Boeing	379,900	37	−2
IBM	456,400	64¼	+ ¼	Gulf Western	375,400	15	+ ⅛

Financial Rand US$0.91 (Discount of 30¼%)

CONTRACTS AND TENDERS

SHIPBUILDING

CONTRACT PREQUALIFICATION

7000 MTCDW Urea Self Unloading Vessel (11,200 MTDW A' S.L.L.)

114.5m x 109.8m x 20m x 10m x 7.78m

P. T. Pupuk Sriwidjaja (Pusri) a company owned by the Government of Indonesia which produces fertiliser has applied for a loan from the International Bank for reconstruction and development (IBRD) to finance part of the non-Indonesian currency cost of adding to its fleet of vessels for Urea Transport and to its bulk storage depots ashore. Three additional vessels, duplicating four in its existing fleet, will be required, the first in March of 1983, the last about August of 1983. Earlier delivery of the first two vessels will be accepted and is preferable. However, delivery schedules beginning after September 1983 will only be considered as last choice alternatives. Bids will be solicited about early April 1981 on the basis of one or two or three ships for delivery within the times noted. Only shipyards in IBRD member countries are invited to prequalify to receive the specifications and tender for a contract to be awarded under IBRD procurement guidelines, probably in July 1981. Payments under the contract will be made in the currency of the country from which the goods are acquired.

The following material is required for prequalification:

1 Evidence of financial viability
2 Description of facilities
3 Evidence that a number of ships of this size and complexity have been engineered and built by the yards to be used
4 Schedule information that will verify the yard's ability to meet the delivery dates noted
5 Approximate size of the yard's engineering and planning staff
6 The minimum amount of business liability insurance carried
7 Financial statements for the current and previous year
8 Names and addresses including telex number, of four companies to which deliveries of ships have been made

Within the context of the guidelines for procurement of the World Bank, Pusri desires to maintain a commonality between its new and existing ships to minimize its spares inventory and will favourably consider, in its prequalification analysis, an engineering staff and yard with prior experience on this type of vessel. The weight to be assigned to these and other factors will be specified in the invitation to bid.

Since the IBRD may not finance all the foreign costs, yards seeking to pre-qualify should submit with their response export credits availability which may be offered for the financing of such ship building with its indicated terms and conditions such as interest rate, grace period, re-payment period, amount available, other financial charges or fees if any. Such financial offer is to be supported by the export credit agency or any lender or bank as its agent concerned which is prepared to finance the construction on the terms indicated. The Government of Indonesia prefers the credit to be in form of buyer's credit in which the borrower will be the Republic of Indonesia acting through its Minister of Finance. Pusri reserves the right to avail itself of all, or part or none of the credit proposed.
The above information must be received by March 15, 1981 at the following address in order to enable Pusri to issue invitation to bid in early April 1981:

P. T. Pupuk Sriwidjaja
Jl. Taman Anggrek, Kemanggisan Jaya
P.O. Box 2371
Jakarta, Indonesia
Att: Kotan Pasaman/Amir Sayat
Telex (796) 44460, (796) 44249
Telephone: 541208
Cable: PUSRI JAKARTA

and duplicates sent to the following:

Marine Consultants and Designers, Inc.
601 Rockwell Ave.
Cleveland, Ohio 44114
U.S.A.
At: G. Pinde
Telex 98-5587
Telephone: (216) 781-9070
Cable: MIDSHIP, CLEVELAND OHIO

All correspondence should be in Indonesian or English, Pusri reserves the right to verify all statements and to withhold pre-qualification from any shipyard without explanation therefore.

P. T. PUPUK SRIWIDJAJA

Krishak Bharati Cooperative Ltd.

KRIBHCO

HAZIRA FERTILISER COMPLEX
Invitation for Registration of Vendors

1.0 *Krishak Bharati Cooperative Limited (KRIBHCO), a multi unit* cooperative society with the Government of India and the Indian Farmers Fertiliser Cooperative Limited (IFFCO) as major shareholders plans to install at Hazira (about 15 km from Surat City in the State of Gujarat—INDIA) a Nitrogen Fertiliser Complex based on natural gas from South Bassein and consisting of: 2×1350 metric tonnes per day (MTPD) steam reforming ammonia plant, 4×1100 MTPD urea plant using the stripping process, and other supporting facilities such as steam and power generation, water treatment, coal and product handling etc.

2.0 The Government of India has applied for a credit from the *International Development Association (IDA) to finance a major* portion of the costs of equipment and services for the project and intends to apply the proceeds of this credit to eligible payments under the contract for which this notice is issued. Payment by I.D.A. will be made only at the request of KRIBHCO in accordance with the terms and conditions of the credit agreement. Purchases will be made from *the member countries of IDA, Switzerland and Taiwan. Financing has* also been requested from the Overseas Development Agency (U.K.) and Overseas Economic Cooperation Fund (Japan).

3.0 Foreign engineering consultants have been designated for the ammonia and the urea plants and an Indian consultant has been designated for Steam and Power Generation Plants and offsites.

4.0 Interested Vendors should submit in *English language* only, a list of categories of items/sub-items they can supply, plus technical catalogues and other supporting information giving:—

—General performance details
—Anticipated delivery times
—Schedules for furnishing technical data and certified drawings after receipt of orders
—List of customers using and operating the equipment for the last 2-3 years
—Number of weeks required to prepare a proposal
—List of items usually sub-contracted
—Availability of after-sales *service & spares in India*
—Description of capacity and range of manufacturing facilities
—Work load as percentage of total capacity for 1981 and 1982, on a quarterly basis
—Latest annual financial reports
—Warranties

5.0 Vendors interested in bidding should AIR MAIL applications in English language only for Registration in QUADRUPLICATE within three weeks after the publication of this advertisement giving the information listed in para 4.0 to:

Executive Director (Projects),
Krishak Bharati Cooperative Ltd.,
Red Rose House,
49-50, Nehru Place,
NEW DELHI-110019 (INDIA)
TELEX: 3887, 3260 IFFCO IN
GRAMS: KRIBHCO

6.0 *KRIBHCO reserves the right to verify all statements and* inspect Vendors facilities to confirm the Vendors' capability to perform the work and reserves the right to reject any prospective Vendor/Vendors without assigning any reasons thereof. When invitations to bid are sent to registered bidders, KRIBHCO may state limitations under which some or all bidders can present their bids or ask for additional information related to the specific types of equipment needed. No further correspondence shall be entertained for non-selection of a Vendor.

7.0 Principal factors that will be considered in evaluating bids from Registered Vendors will include Price, Quality, Operation, Maintenance and Installation costs, Freight, Delivery time, Performance guarantees, Inspection and Expediting expenses, Payment terms and Vendors specific experience etc. as specified when requesting for Bids.

8.0 Vendors who have not supplied equipment of similar magnitude and duty for a Fertiliser or Heavy Chemical Plant need not *apply*.

9.0 Vendors are requested to indicate the items/sub-item(s) from the following categories for which they would like to receive an Invitation to Bid.

01. *Pressure Vessels, Columns and Scrubbers* in carbon/stainless/alloy/clad steel for low and medium pressures.
02. Ammonia/Urea Reactors.
03. High Pressure Urea Stripper.
04. *High Pressure Carbamate condenser and* Process Ejector.
05. Dedusting system for Natural Draft Prilling Tower.
06. Vertical agitator/stirrers.
07. *Piping and fittings for high pressures,* corrosive fluids, including furnace coils/tubes, cast tubes 25/20/super therm, cast fittings, coil fabrication, Urea Carbamate Service.
08. Secondary Reformer.
09. Heat Exchangers, including waste heat boilers, economisers etc. for operating at different pressures—shell & tube, U-tube, wound tube, fin tube, plate type in C.S., S.S., low alloy and clad steel.
10. Valves in various construction types, such as relief, safety, globe, gate, plug, needle, ball, butterfly, check valves, etc., for high pressures and corrosive fluids. Pneumatic and motor operated control valves for pressures upto 320 kg./cm².
11. Tanks and Separators for low, medium and high pressures in carbon steel, stainless steel and alloy steel.
12. Tower packing and internals; such as raschig rings, trays, distributors etc.
13. Refractories, lining and castable materials for vessels, furnaces and flue ducts.
14. Insulation & lining materials for high and low temperature duty.
15. Instruments including accessories:—Primary elements, transmitters, relays—pneumatic and electronic, panel and field instruments, automatic analysers, pilot solenoid valves, optical pyrometers, *instrument erection materials etc.*
16. Structural steel material including requirement for furnace structure.
17. *Catalysts, including catalysts for deoxo* units.
18. General filters, air filters, demisters, strainers, separators and horizontal pressure sand filter.
19. Fans and Blowers, Induced/Forced draft fans for Coal/Gas fired furnaces, exhaust fans, air blowers.
20. Turbo-compressors for air (40 kg/cm²), synthesis gas (upto 250 kg/cm²) refrigeration and Carbon Dioxide (160 kg/cm²), Natural gas (46 kg/cm²) including accessories.
21. Steam turbines, including gears (condensing and/or back pressure type) for an output upto 25000 KW for driving *centrifugal pumps*, blowers, fans and compressors, generators.
22. Centrifugal pumps (C.S., C.I., S.S. alloy steel) for cooling water (upto 8000 M³/Hr.), Boiler Feed Water, Demineralised Water, condensate, vacuum, chemicals process, non-process use, including Hydrochloric Acid pumps.
23. High pressure reciprocating/centrifugal pumps for liquid ammonia, hot ammonium carbamate chemical dosing, and hot water *flushing*.
24. Vacuum system: Steam Ejector with barometric condensers/Surface condensers.
25. Elevators (lifts), prill tower scraper and *bucket, prilling equipment etc.*
26. Deaerators.
27. Combustion Air pre-heater.
28. Coal crushing and handling equipment.
29. Ash handling system.
30. Product handling system:—belt conveyors, vibrating screens, weighing, bagging and stitching machines (50 kg bags). Bulk product reclaimer, belt mounted weight scales.
31. *Ammonia Refrigeration package unit.*
32. Water treatment system including demineralised water and waste water treatment.
33. Mechanical draft cooling towers of R.C.C./Timber.
34. Atmospheric ammonia storage (10000 MT) with refrigeration unit.
35. Non-lubricated reciprocating compressors for plant and instrument air.
36. Inert gas generator unit using catalytic cracking of ammonia/natural gas. air separation unit.
37. Electrical equipment:—11 KV/3.3 KV/415V transformers, switch gears including rectifiers, capacitors etc., for safety and explosion-proof designs. H.T. cables of various sizes, lighting materials and fittings etc.
38. *Construction equipment: (purchase/hire)* E.O.T. cranes, mobile/crawler type cranes (200T capacity), gin poles (300T capacity) acetylene generators, welding and annealing accessories, winches, jacks, pneumatic tools etc.
39. Workshop equipment, such as a Rotor balancing machine, non-destructive testing equipment etc.
40. Safety equipment.
41. Emergency diesel generator set rating upto 1000 KVA.
42. Laboratory equipment, such as gas chromatographs etc.
43. Explosion-proof lighting and fitting materials.
44. Other equipment:—mechanical seals, gland packings, drive couplings, instrument air drier, on line cleaning equipment for surface condensers, cathodic protections for underground pipes.
45. Electronic Data Logger/Supervisory control.
46. Ammonia loading Arms including special fittings.
47. *C.S./S.S. steel plates.*
48. Welding materials.
49. Self Propelled Barges of 500 D.W.T. to 2500 D.W.T.

SWAIN

one of the COOP AGRO GROUP members

BOND DRAWING

COMPAGNIE FINANCIERE ET INDUSTRIELLE DES AUTOROUTES — COFIROUTE
9% 1974/1989 Loan of UA 17,000,000

[illegible]

...70, 6973 to 6978 incl., 6986 to 6995 incl., 7009 to 7014 incl., 7018 to 7028 incl., 7044 to 7049 incl., 7059 to 7064 incl., 7087 to 7090 incl., 7106 and 7107, 7122 and 7123, 7130 and 7131, 7146 to 7155 incl., 7167 to 7170 incl., 7190 to 7208 incl., 7210 and 7212, 7215 to 7222 incl., 7297 to 7300 incl., 7315 to 7320 incl., 7326 and 7327, 7344, 7361, 7365 to 7392 incl., 7401 to 7403 incl., 7434 to 7438 incl., 7442 and 7443, 7446, 7448 and 7449, 7455, 7462, 9303, 13615, 13617, 15853.

Trustee
FINTRUST S.A.

Luxembourg.
February 9, 1981.

LEMBAGA LETRIK NEGARA, TANAH MELAYU.
National Electricity Board of the States of Malaya

INVITATION TO TENDER FOR

KAMPONG AWAH–PAKA–KENYIR TRANSMISSION LINES

Tenders are invited for the manufacture, supply, testing, delivery, erection, commissioning and maintenance for 12 months of the transmission lines briefly described below:-

Approximately 275km. of 275kV duplex 300 sq.mm. ACSR double circuit transmission lines from Kampong Awah via Paka to Kenyir.

Towers will be galvanised lattice steel design with 60 sq.mm. ACSR overhead earth wires. Completion is required by November 1983.

Tenders will be considered only for the complete supply and erection of the above lines and tenderers will be required to provide evidence of substantial experience in the work of a similar nature and magnitude.

A brief description of the extent of work and general conditions pertaining may be obtained on application to Messrs. Merz and McLellan, Amberley, Killingworth, Newcastle upon Tyne, NE12 0RS, England or Messrs. Tahir Wong Sdn. Bhd., F.A.S. Building, 1st Floor, 18 Jalan Birch, Kuala Lumpur, Malaysia.

Applications should quote Form of Tender No. N4417.

Tender documents will be available from **Merz and McLellan, Newcastle upon Tyne, NE12 0RS, England,** from 10 February 1981 and a set of 3 documents may be obtained on receipt of a cheque for £50 made out in favour of Merz and McLellan. There will be an additional charge of £30 per set when tenderers request the despatch of documents by air-freight. These payments will not be refunded.

Tenders are to be returned to arrive at the **Merz and McLellan Office, Newcastle upon Tyne, England,** before 11am on 7 May 1981. A second copy is to be returned to **the General Manager, Lembaga Letrik Negara, Tanah Melayu, P.O. Box 1003, Kuala Lumpur,** to arrive on the same day.

The National Electricity Board does not bind itself to accept the lowest or any tender, nor will it be responsible for any costs incurred by tenderers in preparing their tender.

COMPANY NOTICES

THE DAIEI, INC.

(Kabushiki Kaisha Daiei)

FRENCH FRANCS 100,000,000
8½ PER CENT CONVERTIBLE BONDS DUE 1988

THE DAIEI, INC., has announced on January 29, 1981, that the Board of Directors of the Company resolved to make a free distribution of shares of its common stock to shareholders of record as of February 28, 1981, in Japan (February 27, 1981, in New York City, London, Luxembourg, Frankfurt and Paris), at the rate of one share per 10 shares held.

Accordingly, the conversion price at which the bonds may be converted into shares of common stock of the company will be adjusted effective as of March 1, 1981, Japan time.

The conversion price in effect before such adjustment is Yen 736.— and the adjusted conversion price will be Yen 669.10.

TATE & LYLE, LIMITED

NOTICE TO HOLDERS OF BEARER SHARES

NOTICE IS HEREBY GIVEN that the seventy-eighth Annual General Meeting of TATE & LYLE, LIMITED will be held at the EUROPA HOTEL, DUKE STREET, GROSVENOR SQUARE, LONDON, W.1, on Wednesday, the fourth day of March, 1981, at eleven-thirty a.m. for the following purposes:

1. To receive the Company's financial statements for the year ended 30th September, 1980 together with the reports of the directors and auditors thereon and to declare a final dividend on the ordinary stock of the Company.

[illegible]

BANQUE EXTERIEURE D'ALGERIE

US$35,000,000
FLOATING RATE NOTES DUE 1984

In accordance with the provisions of the Reference Agency Agreement between Banque Exterieure d'Algerie and Citibank, N.A., dated as of August 7, 1978, notice is hereby given that the Rate of Interest has been fixed at 17⅛% and that the Coupon Amount payable on August 9, 1981, against Coupon No. 6, will be US$87.67 and that such amount has been computed on the actual number of days elapsed (181) divided by 360.

By: CITIBANK, N.A., London, Reference Agent.

February 9, 1981.

[illegible]

CLUBS

[illegible]

PLANT & MACHINERY SALES

1) ROLLING MILLS
5in x 12in x 10in wide variable speed Four High Mill.
3.5in x 8in x 9in wide variable speed Four High Mill.
18in x 24in x 250 hp Two High Mill.
12in x 16in x 100 hp Two High Mill.
10in x 16in wide fixed speed Two High Mill.
10in x 12in wide fixed speed Two High Mill.
6in x 16in x 20in wide Four High Mill.
150 x 100 mm x 15 hp Two High Tape Rolling Mill.
110 x 100 mm x 10 hp Two High Tape Rolling Mill.

2) 10in x 8in x 75 hp Two Stand WIRE FLATTENING AND NARROW STRIP ROLLING MILL

3) DECOIL, FLATTEN AND CUT/LENGTH LINES (SHEETS).
1830 mm x 1.2 mm/6.5 mm x 20 Ton Coil.
1830 mm x 0.36 mm/2.5 mm x 15 Ton Coil.
1500 mm x 0.5 mm/3.2 mm x 10 Ton/15 Ton Coil.
1100 mm x 2 mm/8 mm x 5 Ton Coil.
1500 mm x 0.5 mm/2 mm x 15 Ton Coil.
750 mm x 1 mm/3 mm x 5 Ton Coil.
400 mm x 0.5 mm/3 mm x 2 Ton Coil.

4) DECOIL, STRAIGHTEN & CUT/LENGTH LINES (ROD).
32 mm to 16 mm diameter x 2 Ton Coil.
16 mm to 6 mm diameter x 1 Ton Coil.
8 mm to 2 mm diameter x 1 Ton Coil.

5) SLITTING LINES
1220 mm x 3 mm x 5 Ton Coil.
920 mm x 5 mm x 10 Ton Coil.
920 mm x 2 mm x 2 Ton Coil.
300 mm x 1.5 mm x 1 Ton Coil.
36in and 48in Sheet Slitters.

6) WIRE DRAWING MACHINES
6 Block, in line, variable speed (560 mm dia x 25 hp D.C.).
9 Block, non slip cumulative (610 mm dia x 25 hp A.C.).
8 Block, non slip cumulative (560 mm dia x 25 hp A.C.).
6 Block, non slip cumulative (356 mm dia x 7.5 hp A.C.).
Horizontal Drawblock variable speed (915 mm dia x 75 hp D.C.).
Horizontal Drawblock variable speed (456 mm dia x 15 hp D.C.).
Vertical Drawblock (2) variable speed (610 mm dia x 25 hp D.C.).
13 and 15 Die Cone Type & Spooler, 4500 ft/min (2 machines).
9 Die Cone type & Finishing Block, 750 ft/min.

WEDNESBURY MACHINE CO. LTD.
Imperial Works, Oxford Street, Bilston, West Midlands.
Tel: 0902 42541/2/3 - Telex: 336414

ISLAMIC REPUBLIC OF PAKISTAN
HYDERABAD WATER SUPPLY AND SEWERAGE PROJECT

TENDERS FOR SUPPLY OF VALVES, HYDRANTS AND PENSTOCKS

(CONTRACT No. 8)

The Government of Pakistan has received a Special Fund Loan from the Asian Development Bank in the amount of U.S.$22 million *to finance the improvement and expansion of the water supply* and sewerage system of Greater Hyderabad.

The Hyderabad Development Authority invites tenders for the supply of Valves, Hydrants and Air Valves and cast iron Penstocks. Tenderers must be nationals of, and the articles must be produced in, member countries of the Asian Development Bank.

The Contract will comprise:

(a) Approx. 135 Nr. wedge gate valves in diameters between 300 and 1000 mm
(b) Approx. 37 Nr. of cast iron hydrants
(c) Approx. 39 Nr. Air Relief Valves of inlet diameters 50, 80 and 100 mm
(d) Approx. 26 Nr. cast iron penstocks in size from 600 diameter to 2500 x 2500 mm
(e) Approx. 4 Nr. cast iron tidal flap valves

Tenders must be submitted on the prescribed forms which can be obtained from the office of the Authority's Consulting Engineers, D. Balfour and Sons, P.O. Box 1033, Latifabad, Hyderabad, Pakistan. Applications for the tender documents should be made by post or local representative, and must be accompanied by a non-refundable Bank Draft for Rs. 1000/- (Pakistan rupees one thousand only), from any scheduled bank of Pakistan, payable to the Projects Director, Hyderabad Development Authority.

The Competent Authority reserves the right to reject any or all of the tenders without assigning any reason.

The tender documents shall be available for issue from 15 February 1981 during working hours. Tenders must be submitted not later than 11.00 hours (Pakistan time) on 15 April 1981.

DIRECTOR GENERAL
HYDERABAD DEVELOPMENT AUTHORITY.
HYDERABAD

BAKHRABAD GAS SYSTEMS LIMITED

(A Petrobangla Enterprise)

Invitation for Prequalification of Bakhrabad-Chittagong Gas Pipeline Construction Contract

The Government of Bangladesh has entered into Agreements with the International Development Association (IDA) and OPEC for credits in various currencies to finance the Bakhrabad Gas Development Project. The project will *be executed by Bakhrabad Gas Systems Limited, an enterprise* of Petrobangla, and comprises the following.

1. A 24-inch, high-pressure gas pipeline from Bakhrabad to Chittagong (approximately 110 miles);
2. A gas distribution system in Chittagong, comprising of approximatley
   7 miles of 24 inches
   10 miles of 20 inches, and
   11 miles of 16 inches.

This is to notify that with effect from the 5th February, 1981, the prequalification standards in respect of the construction contract for the above-mentioned pipeline systems will be available from the offices of the Bakhrabad Gas Systems Ltd. at the address as given below. Copies of these prequalification documents shall also be available from the same date at *some selected* Embassies of Bangladesh abroad (BONN, BRUSSELS, LONDON, OTTOWA, PARIS, ROME, SINGAPORE, TOKYO and WASHINGTON).

The prequalification standards in respect of the construction contract for the above-mentioned pipeline systems will be received up to 3 pm on the 20th March 1981 at the Company's Head Office at Police Line (Main Gate), Comilla and at Dacca Liaison Office, House No. 339-B, Road No. 15 (28 Old), Dhanmondi Residential Area, Dacca, and will be opened on the 21st March at 11.00 hrs. in the presence of the *bidders, if any, at both places.*

For the clarification of the potential bidders it is notified that the proposed contract will be meant only for the laying of the pipeline and fabricating the installations (with the line pipe and installation materials supplied by BGSL), testing and commissioning of the entire system.

Potential bidders who wish to obtain the above-mentioned prequalification documents may obtain them against payment of US$100 or Tk 1500 (non-refundable).

Bakhrabad Gas Systems Ltd
Head Office
P.O. Box 97
Comilla
Bangladesh
Cable: Bangladesh-Comilla
Telex: Petrodac 725-Dacca

Bakhrabad Gas Systems Ltd.
Liaison Office
House No. 339-B
Road 28 (Old), 15 (New)
Dhanmondi Residential Area
Dacca 5
Bangladesh
Telex: Petrodac 725-Dacca

CONTRACTS & TENDERS

CONTRACTS AND TENDERS appear every Monday

The rate is £22.50 per single column centimetre

BRITISH AEROSPACE

BRITISH AEROSPACE

PUBLIC LIMITED COMPANY

OFFER FOR SALE

by **Kleinwort, Benson Limited** on behalf of **The Secretary of State for Industry**

of up to

100,000,000 Ordinary Shares of 50p each at 150p per share

payable in full on application

and underwritten by

Kleinwort, Benson Limited **Hill Samuel & Co. Limited**
Morgan Grenfell & Co. Limited **J. Henry Schroder Wagg & Co. Limited**

The application list for the Ordinary Shares now offered for sale will open at 10 a.m. on Friday, 13th February, 1981 and may be closed at any time thereafter. The procedure for application is set out at the end of this Offer for Sale.

Directors

Sir Austin William Pearce, C.B.E., Ph.D., F.Eng.
Chairman
Allen Harold Claude Greenwood, C.B.E.
Deputy Chairman
Sir Frederick William Page, C.B.E., F.R.S., F.Eng.
Chairman and Chief Executive Aircraft Group
Admiral Sir Raymond Derek Lygo, K.C.B.
Chairman and Chief Executive Dynamics Group
Bernard Ernest Friend, F.C.A.
Director of Finance
Eric Gerald Rubython, C.B.E.
Deputy Chief Executive Aircraft Group

Air Chief Marshal Sir Peter Carteret Fletcher, K.C.B., O.B.E., D.F.C., A.F.C., R.A.F. (Retd.)
Director of Corporate Strategy and Planning
John Trevor Stamper, F.Eng.
Technical Director
Leslie William Buck
Industrial Relations Director
*Kenneth Milton Bevins, C.B.E., T.D.
*Kenneth Durham, B.Sc.
*Derek Oliver Gladwin, C.B.E.
*Harold Arthur Hitchcock, D.F.C.
*Sir Jack Alfred Wellings, C.B.E.
all of British Aerospace Public Limited Company,
100 Pall Mall, London SW1Y 5HR
**Non-executive Director*

Secretary and Registered Office
Brian Cookson, LL.B., *Solicitor*
British Aerospace Public Limited Company,
100 Pall Mall, London SW1Y 5HR
Solicitors to the Company
Linklaters & Paines
Barrington House, 59-67 Gresham Street,
London EC2V 7JA
Solicitors to the Offer
Slaughter and May
35 Basinghall Street,
London EC2V 5DB
Auditors and Reporting Accountants
Peat, Marwick, Mitchell & Co., *Chartered Accountants*
1 Puddle Dock, Blackfriars, London EC4V 3PD

Brokers to the Offer
Hoare Govett Limited
Heron House, 319-325 High Holborn, London WC1V 7PB
Cazenove & Co.
12 Tokenhouse Yard, London EC2R 7AN
W. Greenwell & Co.
Bow Bells House, Bread Street, London EC4M 9EL
Receiving Bankers and Registrars
Lloyds Bank Limited
Registrar's Department, Issue Section,
111 Old Broad Street, London EC2N 1AU
and
Registrar's Department, Goring-by-Sea, Worthing,
West Sussex BN12 6DA

A copy of this Offer for Sale, having attached thereto the documents specified herein, has been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the share capital of British Aerospace Public Limited Company issued and to be issued, to be admitted to the Official List. This Offer for Sale includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to the Company. The Directors of the Company have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or of opinion. All the Directors of the Company accept responsibility accordingly.

No person receiving a copy of this Offer for Sale and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation to him nor should he in any event use such Application Form unless in the relevant territory such an invitation could lawfully be made to him or such Form could lawfully be used without compliance with any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities needing to be observed in such territory.

Share Capital

Authorised		Issued or to be issued and fully paid or credited as fully paid
£115,000,000	Ordinary Shares of 50p each	£100,000,000

The Ordinary Shares now offered for sale will rank in full for all dividends hereafter declared or paid on the Ordinary share capital of the Company.

Indebtedness

At 1st January, 1981, British Aerospace had outstanding a bank overdraft of £21,997 (which was unsecured) and long term loans of £32,600,000 (which were unsecured). Except as aforesaid and apart from intra-group transactions and contingent liabilities of the nature described in Note 15 of the Accountants' Report, British Aerospace did not have at that date any loan capital (whether outstanding or created but unissued), mortgages, charges or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire-purchase commitments or guarantees or other material contingent liabilities.

For the purpose of the foregoing, foreign currency indebtedness has been translated into sterling at the appropriate exchange rates ruling at the close of business on 31st December, 1980.

Definitions

"British Aerospace" British Aerospace Public Limited Company and its subsidiaries and/or, as the case may be, their respective predecessors in business or any of them.
"Company" British Aerospace Public Limited Company.
"Corporation" The statutory corporation known as British Aerospace.
"Board" The board of directors of the Company.
"British Aircraft Corporation" British Aircraft Corporation Limited or, as the case may be, British Aircraft Corporation (Holdings) Limited.
"Hawker Siddeley Aviation" Hawker Siddeley Aviation Limited.
"Hawker Siddeley Dynamics" Hawker Siddeley Dynamics Limited.
"Scottish Aviation" Scottish Aviation Limited.
"Germany" The Federal Republic of Germany.
"United States" United States of America.
"dollars" or "$" United States dollars.
"NATO" North Atlantic Treaty Organisation.
"Ministry of Defence" The Ministry of Defence of the United Kingdom.
"Ordinary Shares" Ordinary Shares of 50p each of the Company.

Introduction

British Aerospace is one of the largest aerospace organisations in the western world. It is principally engaged, either on its own or in collaboration with other companies, in the design, development and production of military and civil aircraft, guided missiles and space systems and in the provision of defence support services. British Aerospace employs approximately 79,000 people and had sales of over £1,300 million in the year ended 31st December, 1980. The origins of British Aerospace can be traced directly to companies which were among the pioneers of the aircraft industry.

On 23rd July, 1979 the Secretary of State for Industry announced the intention of HM Government to transfer the business of the Corporation to a company incorporated under the Companies Acts and to offer about half of that company's shares to the public, with employees being given a special opportunity to acquire shares.

On 1st January, 1981 all the property, rights, liabilities and obligations of the Corporation vested in the Company pursuant to the British Aerospace Act 1980. On the following day Ordinary Shares were issued to a nominee of the Secretary of State pursuant to section 3 of that Act and the Company was re-registered as a public limited company under the Companies Act 1980.

HM Government is now offering for sale a minimum of 96,731,515 and a maximum of 100,000,000 Ordinary Shares (representing 48.37 per cent. and 50 per cent. respectively of the issued share capital following this Offer for Sale) depending on the extent to which Ordinary Shares are taken up under the special arrangements for employees described in paragraph 9 of Appendix IV. Under these arrangements a maximum of 6,536,970 Ordinary Shares (3.27 per cent. of the issued share capital following this Offer for Sale) will be available to employees. The special arrangements are in addition to the preferential consideration that will be given to applications received from employees of the Company under this Offer for Sale for up to a total of 5,000,000 Ordinary Shares at the offer price on the pink application forms which are being made available to them.

Of the Ordinary Shares being offered for sale, 66,666,667 are new Ordinary Shares which the Secretary of State for Industry has agreed (subject to the terms of the Underwriting Agreement described in paragraph 7 of Appendix IV) to subscribe at the offer price and which will be paid for out of the proceeds of this Offer for Sale, thus raising £100 million for the Company before the deduction of capital duty.

The number of Ordinary Shares to be sold under this Offer for Sale will be one half of the Ordinary Shares (issued or to be issued) remaining after all applications under the special arrangements for employees have been dealt with. Accordingly, immediately after this Offer for Sale HM Government will hold the same number of shares as are sold under this Offer for Sale (i.e. between 48.37 per cent. and 50 per cent. of the issued share capital of the Company), the balance of the issued share capital being those shares acquired by or on behalf of employees under such special arrangements.

The future relationship between HM Government and British Aerospace is described in a letter from the Secretary of State for Industry to the Chairman of the Company, the text of which is reproduced in the section "Relationship with HM Government" below.

In relation to the sale of publicly owned assets by HM Government, the Labour Party Conference in October 1979 passed a resolution which called upon the Parliamentary Labour Party "to declare that any activities hived off will be taken into public ownership by the next Labour Government without compensation". When the British Aerospace Bill was debated in the House of Commons on 20th November, 1979, the Opposition's official spokesman for industry said that a future Labour Government would renationalise British Aerospace.

The sale of up to 100,000,000 Ordinary Shares (50 per cent. of the issued share capital following this Offer for Sale) has been underwritten at the offer price.

History

Corporate development

The business of British Aerospace was brought into public ownership following the enactment of the Aircraft and Shipbuilding Industries Act 1977. This Act established the Corporation and pursuant to its provisions the respective issued share capitals of British Aircraft Corporation, Hawker Siddeley Aviation, Hawker Siddeley Dynamics and Scottish Aviation vested in the Corporation on 29th April, 1977. On 1st January, 1978 the undertakings of these companies were acquired by the Corporation as part of an internal reorganisation.

British Aircraft Corporation was formed in 1960 to effect a merger of the aerospace interests of Vickers Limited, The Bristol Aeroplane Company Limited and The English Electric Company Limited, in accordance with Government policy for consolidating the United Kingdom aircraft industry. At about the same time, and in accordance with the same policy, Hawker Siddeley Group Limited acquired The Blackburn Group Limited, De Havilland Holdings Limited and Folland Aircraft Limited, consolidating their respective aircraft interests under Hawker Siddeley Aviation, and in 1963 the guided missile interests of the Hawker Siddeley Group were brought together in Hawker Siddeley Dynamics.

Scottish Aviation was formed in 1935 and for the 11 years prior to its acquisition by the Corporation it was a wholly-owned subsidiary of The Laird Group Limited.

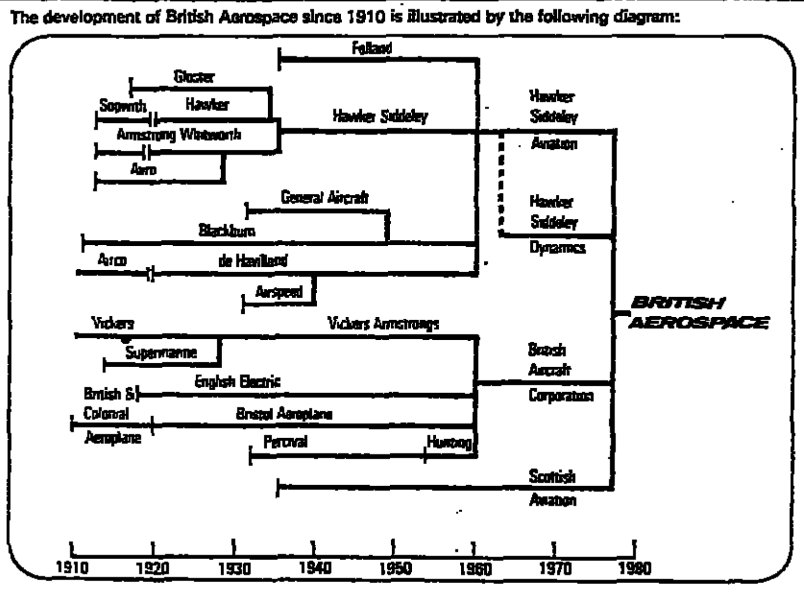
Aircraft

The history of British Aerospace starts in the earliest days of aviation and covers a period of over 70 years.

The Sopwith Camel and the Bristol Fighter, both fighter biplanes, are two examples of famous aircraft built by British Aerospace during the First World War. Between the two World Wars British Aerospace produced a wide range of aircraft, including fighters, torpedo bombers, transports, flying boats, airships and small racers. Among the biplanes were the de Havilland Tiger Moth, one of the most famous training aircraft of the RAF, the Gloster Gladiator, which was still in service with the RAF in the Second World War, and the Vickers Vimy bomber, which made the first non-stop flight across the Atlantic Ocean. Of the civil aircraft built by British Aerospace, the Armstrong Whitworth Atalanta and Ensign were two early examples of monoplane civil airliners, while over 700 de Havilland Dragon Rapide biplanes were built and delivered during the years 1934 to 1946. The Comet Racer and the Supermarine S-Class seaplane became renowned as racers, with the S-Class seaplane winning the Schneider Trophy on three consecutive occasions.

Among the many famous fighter aircraft built by British Aerospace during the Second World War were the Supermarine Spitfire and the Hawker Hurricane. The Spitfire incorporated pioneering advances in aerodynamics and remained in continuous production throughout the war years, with a total of over 20,000 aircraft being built for the RAF. The Vickers Wellington and the Avro Lancaster were two of the principal

The development of British Aerospace since 1910 is illustrated by the following diagram:



aircraft serving the RAF's Bomber Command. The de Havilland Mosquito was one of the fastest and most versatile aircraft of its time.

The Second World War saw a number of technological advances within the aircraft industry. Since then, advances in propulsion methods, aerodynamics, avionics and materials technology have transformed both civil and military aircraft. The development and production of new aircraft have become correspondingly more complicated and costly, with the development stage extending over a longer period.

British Aerospace has led many of the developments since 1945 and many of the aircraft types built since then by British Aerospace are still in service. The Gloster Meteor, developed from the first British jet-propelled aircraft, the Gloster-Whittle E28/39, was the first jet fighter in service with the RAF and was in action during the closing stages of the Second World War. The English Electric Canberra, which was the first jet bomber to serve with the RAF and which was also made under licence in the United States (as the B57) and in Australia, proved versatile as a light bomber, reconnaissance aircraft and advanced trainer. In its role as a bomber for the RAF, the Canberra was complemented during the 1950s by the "V" Class strategic bombers, including the Vickers Valiant and the delta-wing Avro Vulcan, both of which were made by British Aerospace.

The Hawker Hunter was one of the most successful fighter and trainer aircraft produced by British Aerospace after the Second World War. Between 1954 and 1961, over 1,000 Hawker Hunter aircraft were supplied to the RAF and over 900, including rebuilt aircraft, to other air forces. The English Electric Lightning entered service in 1959 as the RAF's first single-seat fighter capable of exceeding twice the speed of sound in level flight. The Blackburn Buccaneer, a bomber and reconnaissance aircraft, first entered service with the Fleet Air Arm in 1962 and with the RAF in 1969. The BAC Jet Provost and the Folland Gnat were among the more successful British military training aircraft, the Gnat having been in service with the RAF aerobatic team, the "Red Arrows", from 1964 to 1979, when it was replaced by the Hawk, which is described under "Business" below.

British Aerospace's development work on military aircraft received a set-back in 1965 when, following a major review of defence policy, HM Government cancelled three of British Aerospace's important military aircraft projects: the TSR 2, a highly advanced tactical strike and reconnaissance aircraft, the P1154, a vertical/short take-off and landing ("V/STOL") supersonic jet aircraft, and the AW 681, a short take-off and landing transport aircraft. Despite this set-back, British Aerospace has continued to be involved in the development of highly sophisticated military aircraft such as the V/STOL Harrier, the Jaguar and the Tornado, all of which are described under "Business" below.

British Aerospace has produced a series of notable civil aircraft since 1945. In the immediate post-war years the Vickers Viking and the de Havilland Dove short-to-medium range passenger aircraft entered service in 1946, and the Bristol 170 transport aircraft entered service in 1951.

The de Havilland Comet Mark I was the world's first jet airliner. It entered service in 1952 but, after serious accidents as a result of metal fatigue, was withdrawn. Later variants were introduced from 1958. The Vickers Viscount, the world's first turbo-prop airliner, entered service in 1953 with 440 aircraft being sold, 338 to customers outside the United Kingdom. The principal post-war medium and long range airliners produced by British Aerospace were the Bristol Britannia, in service from 1955, the Vickers Vanguard, in service from 1960, and the Vickers VC 10 and the de Havilland Trident, both of which came into service in 1964. All of these types of aircraft remain in airline service except for the Comet which came to the end of its airline service in October 1980.

The BAC One-Eleven and the HS 748 were among the most successful of British Aerospace's civil airliners during the 1960s and the 1970s. Both these aircraft remain in production and are in service with a large number of airlines around the world (see "Business" below).

The Concorde was the world's first supersonic airliner in commercial airline service and is now being operated by British Airways and Air France. The Concorde programme was a joint Anglo-French Government project and the airliner was developed and produced by British Aerospace in collaboration with Société Nationale Industrielle Aérospatiale ("Aérospatiale") of France. British Aerospace's share of development and production of the Concorde was carried out under a contract with the Ministry of Defence which provided for reimbursement of costs and a management fee. Although only 14 Concordes have been sold and production has now ceased, the programme represented a major technological achievement and some of the technology acquired during the programme is being applied to other projects.

Guided missile and space systems

British Aerospace has played a prominent role in the development of technology and specialised manufacturing capability for the United Kingdom guided missile industry since it began approximately thirty years ago. It has designed and developed tactical guided missiles for the Royal Navy, the Army and the RAF, beginning with first generation weapon systems such as Sea Slug for the defence of ships, the Vigilant anti-tank missile, the Firestreak air-to-air missile and the Bloodhound and Thunderbird surface-to-air missile systems. In these early days British Aerospace was also involved in the development of strategic missiles, including Blue Steel and Blue Streak, which were both cancelled as strategic weapons in 1961 following a major review of defence policy, although the work on Blue Streak later continued under a contract with the European Launcher Development Organisation. Martel, an air-to-surface missile, was developed jointly by British Aerospace and Matra S.A. of France in the 1960s and is still in service with the RAF. The earlier tactical guided missiles have been followed in the 1970s with more advanced systems, also described under "Business", such as the Sea Dart and Seawolf naval missile systems for the defence of ships, the Rapier low level surface-to-air missile system, the Swingfire long range anti-tank missile and the Sky Flash air-to-air missile.

British Aerospace has been the most important contractor for space systems in the United Kingdom since the British space programme commenced in the 1960s, when a number of space research projects were undertaken, both nationally and through the European Space Research Organisation ("ESRO"). British Aerospace participated in the development and production of the Ariel and ESRO satellites and from 1963 in the development of the Europa heavy satellite launcher, supplying the first stage rocket which had been developed initially for Blue Streak. In 1964 the United Kingdom took a financial share of the civil communications system, Intelsat, and two years later British Aerospace was selected as a major sub-contractor for the construction of the Intelsat IV and IVA series. Since then, British Aerospace has been the prime contractor for all the European Space Agency's communications satellite programmes.

Business

£ million	Year ended 31st December, 1979 Sales	Year ended 31st December, 1979 Trading profit (before launching costs*)	24 weeks ended 14th June, 1980 Sales	24 weeks ended 14th June, 1980 Trading profit (before launching costs*)	At 31st December, 1980 Estimated orders outstanding
Aircraft Group	644.7	55.1	382.4	23.1	2,070
Dynamics Group	343.6	23.1	172.4	12.7	1,345
Headquarters and subsidiaries	39.1	(1.2)	20.3	(0.6)	60
	1,027.4	77.0	575.1	35.2	3,475

*See under "Civil Aircraft" below and "Accounting Policies" in the Accountants' Report.

The business of British Aerospace is mainly carried on through two operating groups, the Aircraft Group and the Dynamics Group, each of which has its own management board. The Aircraft Group is engaged in the design, development and production of military and civil aircraft and in the provision of support services. As an aircraft manufacturer, British Aerospace's primary roles are the overall aircraft design, production of the airframe and final assembly. Engines and avionic and hydraulic equipment are generally developed and manufactured by outside suppliers. The Dynamics Group is principally engaged in the design, development and production of guided missile and space systems, including certain specialised electronic sub-systems. Rocket motors, warheads and some other equipment are procured from outside suppliers.

The experience of British Aerospace has been that major technical difficulties in a project, always a possibility in a high technology business, are normally capable of resolution without significant adverse financial consequences.

In the case of British Aerospace's military projects, both the development and production stages are normally financed to a substantial extent (and, in the case of projects for HM Government, are normally wholly financed) by means of progress payments from customers. In the case of civil aircraft projects, other than British Aerospace's participation in Concorde (which was financed by HM Government), the development stage has been financed by British Aerospace out of its own resources with, in some cases, financial assistance provided by HM Government under the Civil Aviation Act 1949, the recovery of expenditure on a project being dependent upon its success. As firm orders for civil aircraft are secured, customers generally make payments on account in advance of delivery (see "Arrangements with Customers" below).

Aircraft Group

£ million	Sales: Military aircraft	Sales: Civil aircraft	Trading profit (before launching costs)	Orders outstanding at period end: Military aircraft	Orders outstanding at period end: Civil aircraft
Year ended 31st December,					
1975	267.2	127.0	27.3	638.8	271.1
1976	330.3	217.2	37.3	673.2	223.5
1977	374.6	211.5	40.7	1,379.4	185.4
1978	388.5	194.4	46.3	1,656.4	241.0
1979	450.1	194.6	55.1	1,812.7	449.2
24 weeks ended 14th June, 1980	272.2	110.2	23.1	1,703.1	581.4

Orders outstanding in respect of military and civil aircraft at 31st December, 1980 are estimated to have amounted to £1,561 million and £519 million respectively.

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Military aircraft

Over the five and a half years to 14th June, 1980 military aircraft business, including defence support services, accounted in aggregate for 77 per cent. of the Aircraft Group's trading profit before launching costs. The Ministry of Defence is the largest single customer of British Aerospace for military aircraft business and, in the same five and a half years, sales to the Ministry of Defence, directly or through joint ventures in which British Aerospace has participated, accounted for 39 per cent. by value of total sales in respect of military aircraft business, the remainder being for export. Of the estimated orders outstanding for military aircraft business at 31st December, 1980, 31 per cent. by value was, on the same basis, from the Ministry of Defence.

A successful military aircraft project extends over many years. A project normally originates from a Ministry of Defence operational requirement for a particular type of aircraft which in due course becomes more closely defined by the Ministry of Defence after consultation with British Aerospace and, in the case of collaborative projects, after consultation with the other governments involved. Following a decision to proceed, the project enters a phase of design and development. Further development of the aircraft usually continues during the production phase, leading to either modified or new versions of the aircraft. A successful project gives rise to a significant continuing business in the provision of spares and services and, in due course, substantial contracts may be undertaken to modernise aircraft or to convert them to fulfil new tasks.

The present level of British Aerospace's military aircraft business reflects the re-equipment programmes currently being undertaken both by the RAF and Royal Navy and by the air forces of other countries. The United Kingdom is continuing its aircraft re-equipment programme to enhance its defence capability, and to meet its responsibilities within NATO.

As a result of changes in the technology of aerodynamics, engines, avionics and materials, military aircraft have become increasingly complex and costly to develop. Accordingly, countries have tended to collaborate on new military aircraft projects with a view to sharing development costs and extending production runs. The trend towards collaboration has been further strengthened by the desire of NATO members and their allies to standardise equipment. Typically, each country's share of the development and production work is in approximate proportion to the number of aircraft which it orders, each manufacturer having responsibility for the production of specified sections, with final assembly often being carried out in the country which buys the aircraft. British Aerospace is currently engaged in two major collaborative military aircraft projects, the Tornado and the Jaguar.

The principal military aircraft projects being undertaken by British Aerospace are described below.

Tornado

The Tornado is currently British Aerospace's most important military aircraft project and involves one of the largest production programmes it has ever undertaken. It originated from studies by the governments of the United Kingdom and other countries in the late 1960s which were aimed at the development of a new multi-role combat aircraft. By 1970 the governments of the United Kingdom, Germany and Italy had agreed on a joint programme which resulted in collaboration between British Aerospace, Messerschmitt-Bölkow-Blohm GmbH ("Messerschmitt-Bölkow-Blohm"), of Germany and Società Italiana Aerospaziale per Azioni ("Aeritalia") of Italy and sales to the armed services of these countries.

The Tornado is a swing-wing supersonic aircraft which is being produced in two variants, the Interdictor Strike (IDS) aircraft and the Air Defence Variant (ADV). The Tornado IDS has been developed to fulfil the operational requirements of the three countries involved in the project. Over land, its tasks are the attack of enemy forces and installations behind the battle area, the direct support of land forces and reconnaissance. At sea, its task is the long distance attack of enemy ships. The Tornado IDS is designed to operate at night and in adverse weather conditions and, over land, to penetrate enemy defensive systems at very low level and high speed. The Tornado ADV, an interceptor aircraft for long-range air defence, has been developed by British Aerospace to meet a separate United Kingdom national requirement.

The Tornado programme is managed by Panavia Aircraft GmbH ("Panavia"), a company which is incorporated in Germany and owned as to 42.5 per cent. by British Aerospace, 42.5 per cent. by Messerschmitt-Bölkow-Blohm and 15 per cent. by Aeritalia, these percentages broadly reflecting the value of the work allocated to each participant. Panavia has approximately 300 employees.

British Aerospace is responsible for manufacturing the forward and rear sections of the fuselage and the fin and tail and also for the final assembly and flight testing of all aircraft to be delivered to the RAF.

At present, the total planned programme is for 809 aircraft, consisting of 220 Tornado IDS and 165 Tornado ADV aircraft for the RAF, 324 Tornado IDS aircraft for the German air force and naval air force and 100 Tornado IDS aircraft for the Italian air force. Of these 809 aircraft, a total of 321 has been ordered, whilst a further batch of 162 aircraft has been authorised by the governments concerned and is under contract negotiation. The production of the Tornado IDS commenced in 1976 and deliveries of the first 75 aircraft were made in 1980. The first three prototypes of the Tornado ADV are currently undergoing flight trials, with first deliveries to the RAF expected in 1984.

The present planned Tornado production programme is expected to continue until 1988. There may be requirements for additional aircraft from the three partner countries and British Aerospace believes that there is potential for further development of the Tornado and for export sales.

Jaguar

The Jaguar programme resulted from discussions between the United Kingdom and French governments in 1965 on the need for an aircraft to meet the common requirements of the RAF and the French air force. British Aerospace and Avions Marcel Dassault-Breguet Aviation S.A. ("Dassault-Breguet") collaborated in the development and production of the Jaguar, co-ordinating the project through Société Européenne de Production de l'Avion E.C.A.T. S.A. ("SEPECAT") in which each company has a 50 per cent. interest. British Aerospace is responsible for manufacturing the wings, rear fuselage and tail unit. In relation to export sales, each manufacturer is able to market the aircraft independently, with the other acting as sub-contractor for those parts of the aircraft which it manufactures. Only British Aerospace has made export sales of the Jaguar.

The Jaguar is a dual-role aircraft which, in its various versions, can operate as an advanced and operational trainer and as a tactical support aircraft of light weight and high performance. Four versions have been produced for the British and French air forces, with a total of 400 aircraft having been ordered for them. Each air force has received its allocation of 200 aircraft. In addition two aircraft have been delivered, and a third is on order, for the Ministry of Defence.

The Jaguar International is an improved version, fitted with more powerful engines, which has been developed by British Aerospace for export, with Dassault-Breguet as a direct sub-contractor. Although primarily designed as a tactical support aircraft, it has an air-to-air combat capability and can be supplied as a maritime strike aircraft.

The Ecuadorean air force and the Sultan of Oman's air force have each taken delivery of 12 Jaguar International aircraft and there are orders outstanding for a further 12 aircraft for Oman. The Indian Government has entered into agreements with British Aerospace for the direct supply and, in due course, the licensed production in India of Jaguar International aircraft. These agreements provide for a batch of aircraft to be built by British Aerospace, of which the first have been delivered to the Indian air force, and for further aircraft to be built in India, starting with airframe components being mainly supplied by British Aerospace, but with an increasing Indian manufacturing content.

Production by British Aerospace of the Jaguar International is expected to continue for several years. Further developments of the Jaguar International are being considered by British Aerospace which should enhance the prospects for further sales of the Jaguar International to existing and new customers. These developments could also lead to modernisation work on existing Jaguar aircraft.

Harrier

The Harrier is the only operational V/STOL jet aircraft in the western world. Development of a V/STOL aircraft was started by British Aerospace in the late 1950s and the development aircraft, the P1127, made its first vertical take-off in 1960. An improved version of the P1127, the Kestrel, was tested operationally by the United Kingdom, United States and German air forces, subsequent development being continued for the RAF. The Harrier was developed from the Kestrel and first flew in prototype form in 1966, commencing service with the RAF in 1969.

The role of the Harrier, which is a subsonic aircraft, is to provide rapid close air-support for ground forces with its fighter, ground attack and reconnaissance capabilities. The Harrier has the ability to operate away from conventional facilities and without runways. Of the 139 Harriers ordered for the RAF and Royal Navy, 116 had been delivered by 31st December, 1980. During the seven years to 1976, 110 Harriers, known as AV-8As, were delivered to the United States Marine Corps to provide air support for amphibious landings. A further 13 Harriers have been delivered to the Spanish Navy.

Development of a maritime version, the Sea Harrier, commenced in 1975. The Sea Harrier can operate at sea in the different roles of air defence, reconnaissance and surface attack. Its main advantage is to enable fixed wing aircraft to be operated from ships which are not traditional aircraft carriers. The addition of a "ski-jump" to the deck of a ship assists the take-off of the Sea Harrier, allowing it to carry more fuel or a heavier payload than is possible from a standard take-off. Of the 34 Sea Harriers ordered for the Royal Navy, 19 had been delivered by 31st December, 1980. A number of Sea Harriers are also being produced for the Indian Navy.

British Aerospace and McDonnell Douglas Corporation are jointly developing a version of the Harrier, known as the AV-8B, to meet the future requirements of the United States Marine Corps. Their proposals have been submitted to the United States Defense Department and, if accepted, British Aerospace expects to carry out about one third of the airframe production work.

Discussions are in progress between British Aerospace and the Ministry of Defence regarding an improved version of the Harrier for the RAF. The alternatives being considered are a development of the existing Harrier by British Aerospace and the AV-8B with British Aerospace, in the latter case, carrying out at least one third of the airframe production work and assembling any aircraft ordered by the RAF. British Aerospace believes that the prospect for further sales of both the Harrier and Sea Harrier to the armed forces of the United Kingdom and overseas are good. The operational flexibility of V/STOL aircraft suggests that they will have an important role to play in the future and continuing research by British Aerospace includes consideration of more advanced V/STOL aircraft.

Hawk

Development of the Hawk commenced in 1971 to meet an RAF requirement for a new subsonic jet trainer. It is designed to provide both basic and advanced jet training which hitherto had required more than one type of aircraft. The Hawk can also be used for operational roles such as close support of ground forces.

The Hawk commenced service with the RAF in 1976. A total of 175 have been ordered for the RAF, of which 157 had been delivered by 31st December, 1980, including 10 to the RAF "Red Arrows" aerobatic team. At the same date, 22 aircraft had been delivered to three overseas countries and there were orders outstanding from Finland for 48 aircraft, with the final assembly of 46 of these being undertaken in that country. Since that date, a further export order for eight aircraft has been received.

British Aerospace and McDonnell Douglas Corporation of the United States have submitted joint proposals to the United States Defense Department for a new navy trainer aircraft. The proposals comprise two alternatives: a modified version of the Hawk and a new aircraft originated by McDonnell Douglas Corporation. These are two of six proposals in respect of which study contracts have been awarded and, if either is selected, both companies will participate in development and production on a roughly equal basis.

British Aerospace considers that the Hawk's flexibility, both as a trainer and as an operational aircraft, provides a firm basis for further export sales. Consideration is also being given to developments of the Hawk to increase its export potential.

Nimrod

The Nimrod Mk 1, based on the de Havilland Comet airframe, was designed in the mid-1960s to meet a Ministry of Defence requirement for a maritime reconnaissance aircraft. Production of the Nimrod Mk 1 ceased in 1976 following the delivery of 49 aircraft to the RAF. British Aerospace is now updating 43 of these aircraft to Mk 2 or Mk 3 specifications.

The Nimrod Mk 2 will continue to fulfil the role of maritime reconnaissance operating at high altitude and high speed, but with the capability of low speed and low altitude operation over long periods when in its primary role of anti-submarine surveillance and strike. Of the 32 aircraft to be updated to Mk 2 specification, seven had been delivered by 31st December, 1980, with the remainder to be delivered over the next four years. Another 11 aircraft will be converted to Mk 3 specifications to enable them to fulfil the role of airborne early warning ("AEW") aircraft whose functions will include the detection and tracking of aircraft, missiles and ships. These aircraft are to be delivered to the RAF between 1982 and 1985 and work should continue on AEW aircraft throughout the decade.

Defence support services

British Aerospace, as a contractor to the Ministry of Defence, has provided support services for the Royal Saudi Air Force since 1973, when the British and Saudi Arabian governments first entered into a Memorandum of Understanding which was renewed in 1977. The existing Memorandum of Understanding for the provision of these services continues until 1982 and discussions are taking place concerning a further renewal. The support services comprise the maintenance of aircraft, flying training, technical instruction, procurement of supplies and building construction and maintenance. More than 3,000 employees of British Aerospace are engaged in Saudi Arabia in the supply of these services.

In 1980 British Aerospace completed contracts for another defence support activity but on a smaller scale, for the air force of the Sultan of Oman. This was performed jointly by the Aircraft and Dynamics Groups and involved the supply and installation of an integrated air defence system.

Other military aircraft projects

A number of other military aircraft projects are being undertaken. British Aerospace continues to produce a limited number of Bulldog aircraft, a primary trainer aircraft, and of Strikemaster aircraft, a trainer and ground-attack aircraft. Nine VC10 airliners are being converted to tanker aircraft to meet the RAF's requirements for in-flight refuelling.

The refurbishing and conversion of military aircraft is a continuing and important business for British Aerospace and may involve the substantial rebuilding of an aircraft. British Aerospace is currently refurbishing F111 aircraft for the United States Air Force. British Aerospace also undertakes work under contract from other airframe manufacturers; for example, it is manufacturing components for the United States Phantom, Hercules and F16 aircraft.

British Aerospace undertakes feasibility studies on requirements for future military aircraft. It is currently carrying out a wide range of such studies, both on its own and in collaboration with other companies. It is from these studies that future military aircraft are likely to be developed.

Spares and services

Over 3,000 military aircraft built by British Aerospace are currently in service. British Aerospace has extensive facilities for the provision of spares and services to its military aircraft customers. The efficient provision of such services is essential to the sale of military aircraft and it is also a continuing and important source of business. British Aerospace also trains pilots of some foreign air forces in the use of aircraft manufactured by it.

Civil aircraft

British Aerospace has interests in a wide range of civil aircraft projects, which are produced for international markets. Over the five and a half years to 14th June, 1980 civil aircraft projects accounted in aggregate for 23 per cent. of the Aircraft Group's trading profit before launching costs. In the same five and a half years 57 per cent. by value of British Aerospace's total civil aircraft sales were to customers outside the United Kingdom. Sales to customers outside the United Kingdom are estimated to have increased to about 75 per cent. of total sales in the year to 31st December, 1980 and the Board expects this proportion to increase further.

British Aerospace estimates that, over the ten years 1960 to 1969, scheduled air traffic measured in passenger-miles (excluding the USSR and the People's Republic of China) grew at an average compound rate of 13.4 per cent. per annum and, based on provisional figures for 1979, that over the ten years 1970 to 1979 it grew at an average compound rate of 9.9 per cent. per annum. Whereas during these two periods the rate of growth of passenger traffic in the United States slowed down and in Europe remained more or less constant, the rate of growth in other parts of the world increased significantly. British Aerospace expects that over the ten years 1980 to 1989 scheduled air traffic, as defined above, will grow to about double the 1980 level.

In 1978 and 1979 there was a large increase in orders placed for new civil aircraft in the western world as a result of airlines expanding their fleets to meet the expected growth in air traffic and re-equipping them in order to meet increasingly stringent noise regulations and to attain greater operating economy with more fuel-efficient aircraft. Partial de-regulation of civil air transport in the United States, which is permitting increased competition on domestic air routes in that country, is expected to lead to greater demand for small and medium sized airliners. However, the recession experienced in many countries at a time of great competition in fares and high fuel prices has severely affected the profitability of many airlines during the last two years. As a result, orders for new civil airliners received by aircraft manufacturers during 1980 were at a lower rate than during the previous two years (when orders were at an unusually high level) but, recognising this and based on past experience and the forecast growth in air traffic, British Aerospace expects the level of orders to increase in the future.

Despite the measures which have been taken to increase fuel efficiency, the rapid escalation in oil prices over the last ten years has caused fuel to account for a significantly higher proportion of direct operating costs of civil airlines. A continuing real increase in oil prices could have the effect of reducing the volume of air passenger traffic, although British Aerospace regards a significant reduction as unlikely; on the other hand it would increase pressure on airlines to re-equip with more fuel-efficient aircraft.

In anticipation of a continuing growth in civil aircraft markets, British Aerospace decided in 1978 to increase its involvement in the short to medium range wide-bodied market and in the market serving low density short-haul routes, being those market sectors which it believed had good growth prospects and where the competition from other aerospace manufacturers appeared more limited. On 1st January, 1979 British Aerospace became a full member of Airbus Industrie, which is described more fully below. Airbus Industrie has two civil aircraft projects, the A300, a short to medium range wide-bodied jet airliner, which has been in production for eleven years and in airline service since 1974, and the smaller A310, production of which has recently begun. British Aerospace also decided to proceed with the BAe 146 feederliner project in 1978 and production of this aircraft has recently commenced, with the first flight scheduled for this year. These three projects, together with the HS 125, a business jet, and the HS 748, a short range turbo-prop commuter airliner, both of which are showing good profit returns, are expected to form the core of the Aircraft Group's civil aircraft activity in the 1980s.

As a result of the increasing size and sophistication of modern aircraft, the cost of developing a new medium or large jet airliner is nowadays generally too great for any of the western European aerospace companies to bear alone. This has led to a number of collaborative projects which, despite some disadvantages that collaboration can entail, offer important advantages such as enabling the launching and production costs to be shared and improving the sales potential. British Aerospace participates in the Airbus programmes in collaboration with French, German and Spanish companies and is undertaking the BAe 146 project with a degree of participation by United States and Swedish companies.

Launching costs are the non-recurring element of the costs of a new civil aircraft project and may be divided into three categories, namely design and development, manufacture of jigs and tools and education costs arising on manufacture. The education costs represent the additional costs incurred early in the production cycle when project skills and expertise are being acquired and unit costs are therefore high. The accounting policy with regard to launching costs is set out in the Accountants' Report below.

The principal civil aircraft projects being undertaken by British Aerospace are described below.

Airbus

In the 1960s a number of European aerospace companies, including Hawker Siddeley Aviation, identified the need for a wide-bodied short to medium range airliner and collaborated in the design of a twin-engined fan jet aircraft which has evolved into the present Airbus airliner family. The development of the first aircraft, the A300, was carried out by France and Germany on a joint venture basis, leading in 1971 to the establishment of Airbus Industrie by Aérospatiale of France and Deutsche Airbus GmbH ("Deutsche Airbus") of Germany. In 1972 Construcciones Aeronáuticas S.A. ("C.A.S.A.") of Spain became a member of Airbus Industrie. From the beginning, British Aerospace played an important role in the design of the A300 and was one of the principal subcontractors, responsible for the design of the wing and the manufacture of the main structure of the wing, the wing box. In 1978 the decision was taken to develop a smaller version of the A300, called the A310, with British Aerospace again taking responsibility for the design of the wing and manufacture of the wing box. Shortly thereafter British Aerospace and the two major members of Airbus Industrie, with the approval of the governments of their respective countries, agreed that British Aerospace should become a full member of Airbus Industrie from 1st January, 1979 with a 20 per cent. interest. British Aerospace has paid $50 million on account of its share (20 per cent.) of the net assets of Airbus Industrie at 31st December, 1978. A further payment of around $25 million is due to be made by British Aerospace, for which provision has been made in the accounts of British Aerospace.

The A300 is designed to bring to short and medium range routes the standards of comfort, capacity and operating economy of wide-bodied airliners. There are four main passenger versions: the basic short-haul and medium-haul versions and a version which is able to operate from airfields at high altitude and high temperature, each of which has a typical capacity of 269 passengers, and a stretched version which can carry 16 additional passengers. These versions have ranges of between 1,500 and 2,800 miles with a full passenger payload.

By 31st December, 1980, 120 A300 aircraft had been delivered and orders for 107 and options (as explained under "Arrangements with Customers" below) for a further 91 aircraft were outstanding. By the same date, a total of 31 airlines had taken delivery of, or placed orders or taken options for, the aircraft.

The A310 is a development of the A300 for use on lower density routes. It has a shorter fuselage and a wing of reduced span and area. The A310 will be produced initially in a medium range version, having a typical capacity of 214 passengers with a range of up to 3,000 miles. By 31st December, 1980, orders had been placed for 76 aircraft and options taken for 64 aircraft. The first delivery is expected to be made in Spring 1983.

Launching costs (as described above) of the A310 are met by British Aerospace in respect of the work for which it is responsible. British Aerospace estimates that, on the assumptions set out in Appendix II, the launching costs of the A310 borne and to be borne by it will amount to between £200 million and £250 million, of which approximately 80 per cent. will have been incurred by the end of 1984, by which time it is expected that the aircraft will be at its currently planned maximum rate of production. A total of approximately £45 million of launching costs had been expended by British Aerospace on the A310 by 31st December, 1980, of which the Board expects a total of approximately £20 million to be carried forward in British Aerospace's accounts as at that date.

Airbus Industrie has been particularly successful in securing orders in western Europe and in the Middle and Far East, and, in addition, a major carrier in the United States has placed orders for 34 A300 aircraft, of which 19 had been delivered by 31st December, 1980. Orders and options for both the A300 and A310 showed a marked increase during 1978 and 1979, leading to a substantial order book for these aircraft and an increase in the planned rate of production. During 1980 the placing of orders and taking of options was at a much slower rate. British Aerospace attributes this primarily to the substantial backlog of orders and options and hence the longer delivery periods which Airbus Industrie had to offer. The rate of production of the A300 (which is currently 33 aircraft per annum) and A310 together is intended to be increased in stages to 88 aircraft per annum by 1984. British Aerospace estimates that deliveries of these aircraft over the next ten years will represent approximately 30 per cent. of world deliveries of wide-bodied airliners for short to medium range use.

Further developments of the Airbus airliner family are being considered by Airbus Industrie, in particular a stretched model of the A300 which would have a longer range and a capacity for up to 350 passengers. Airbus Industrie is also considering as a possible new project the development of a single-aisle aircraft which would carry 130 to 170 passengers. Any major development programme requires the approval of the French, German and United Kingdom members of Airbus Industrie and in practice it would also require approval of the Inter-governmental Committee (see Appendix III). A decision to proceed on such a programme would depend on many factors, including consideration by each member of its other commitments and resources at the time. It is possible that companies in other countries would be invited to participate in any new project.

Airbus Industrie is based at Toulouse and has a staff of some 900, the majority of whom are on secondment from its members. Although Airbus Industrie has a team of designers and engineers, its prime responsibility is for marketing the A300 and A310 and supporting these aircraft in service. Airbus Industrie places development and production work with its members and other companies.

As a Groupement d'Intérêt Economique ("G.I.E.") established under French law, Airbus Industrie has full legal personality; it is not liable to tax on its profits. Its members are jointly and severally liable for its debts and obligations to third parties, subject to recourse between the members. The present members of Airbus Industrie and their proportionate interests are Aérospatiale (37.9 per cent.), Deutsche Airbus (37.9 per cent.), British Aerospace (20.0 per cent.) and C.A.S.A. (4.2 per cent.). Further details relating to Airbus Industrie and British Aerospace's participation are set out in Appendix III.

BAe 146

The BAe 146 was originally conceived by Hawker Siddeley Aviation in the late 1960s and was initially developed with financial assistance from HM Government. The BAe 146 (then the HS 146) programme was suspended in 1974 at a time when the outlook for the civil aircraft market was particularly uncertain. Between 1974 and July 1978 when, in the light of improved commercial prospects, the decision to relaunch the project was taken, some development work was carried out with finance from HM Government in order to preserve the option to proceed with the full programme at a later date. Production of the BAe 146 commenced in 1980 and the aircraft's first flight is planned for this year. The Certificate of Airworthiness and first deliveries are expected in 1982.

British Aerospace is responsible for the overall design of the aircraft and for the production of all fuselage components. The wing boxes and the engines are being built by Avco Corporation in the United States and the tailplane and moving surfaces of the wings and tail by Saab-Scania A.B. in Sweden. Final assembly is being carried out by British Aerospace, which is also responsible for marketing the aircraft.

The BAe 146 is a four-engined jet aircraft specially designed for low density short-haul services, including feeder routes (which service the larger or international airports from smaller airports) and commuter routes (which are local services involving short stages). The BAe 146 is intended to offer higher standards of comfort and lower costs per seat-mile than the older turbo-prop airliners or turbo-jet aircraft which currently operate on these routes; it is designed to operate at low noise levels and to satisfy the most stringent of the latest published proposals for noise regulations. The BAe 146 is also designed to be able to operate under difficult airfield conditions, at high temperatures and altitudes and from short runways or semi-prepared airstrips surrounded by difficult terrain. Emphasis has been placed on engineering simplicity for ease of maintenance at small airports, where the volume of traffic cannot justify the provision of elaborate ground facilities.

At first the aircraft will be built in two versions. The BAe 146-100, seating 70 to 90 passengers, is the "hot and high" version, designed to operate from runways as short as 3,500 feet or from high-altitude airfields at high temperatures. The BAe 146-200, with a longer fuselage, increased capacity and lower seat-mile cost, will seat 85 to 109 passengers and will operate from runways as short as 4,000 feet.

British Aerospace believes that there will be a continuing growth in passenger air traffic on the low density short-haul routes on which the BAe 146 is designed to operate and it foresees a shortage of suitable aircraft which can offer the right performance, comfort and operating economy to satisfy the growth in this market. For this reason it expects a significant demand for the BAe 146.

Most customers for the BAe 146 are expected to be medium sized and small airlines, including commuter airlines, which typically do not order aircraft as far ahead or in such quantities as larger international airlines. A significant number of orders is not expected until first deliveries are made and thereafter, as with the HS748 which is sold to similar airlines, the aircraft may be produced in advance of firm orders. Many airlines have expressed interest in the BAe 146 and negotiations are taking place with a number of them. To date one airline has placed an order for two aircraft, which is dependent on satisfactory financing arrangements being concluded, and another airline holds options for three aircraft, but is experiencing difficulty in obtaining a licence to operate the routes on which it plans to use the aircraft. Other airlines have signed letters of intent.

British Aerospace estimates that, on the assumptions set out in Appendix II, the launching costs (as described above) of the BAe 146 borne and to be borne by it will amount to between £300 million and £350 million, of which approximately 80 per cent. will have been incurred by 1984. A total of approximately £105 million of launching costs had been expended on the BAe 146 by 31st December, 1980, of which the Board expects approximately £18 million to be carried forward in British Aerospace's accounts as at that date. It is expected that the aircraft will be at its currently planned maximum rate of production by 1983.

British Aerospace estimates that the total available market for this type of aircraft will be of the order of 1,200 aircraft between 1980 and 1995 and believes that the BAe 146 has a reasonable prospect of achieving at least 30 per cent. of that market. Although the financial results must be subject to the uncertainties inherent at this early stage of a new aircraft programme expected to extend over at least the next 15 years, the Board believes that the project will be profitable.

HS 125

The HS 125 twin-jet business aircraft has been one of British Aerospace's most successful aircraft during the past 15 years. It was first produced in 1964, since when it has been progressively developed to meet changing market requirements. Over 500 aircraft have so far been delivered or ordered, of which some 80 per cent. represent exports to 30 countries, including over 60 per cent. to the highly competitive North American market. The HS 125 is marketed in North America by a subsidiary company, British Aerospace Inc., based near Dulles Airport serving Washington D.C.

The latest version, the Series 700, is powered by new engines whose low fuel consumption has enabled the aircraft's range to be increased by some 50 per cent. to 2,600 miles while also reducing noise levels. The HS 125-700 can carry eight passengers and a crew of two. The basic design principle of the HS 125 has been simplicity of structure and systems in order to achieve a high level of reliability.

The HS 125 has also been sold to a number of governments and air forces. It is used by several operators as an air taxi or charter aircraft and, in a modified form, it operates as an airways inspection aircraft and as an air ambulance.

A record 55 HS 125 aircraft were ordered during 1979, when the North American market was particularly buoyant. In 1980 orders were received for 36 aircraft; though less than in 1979, this was the second highest annual total achieved in recent years. The total number of orders outstanding at 31st December, 1980 was 37. The current rate of production of the HS 125 is 34 aircraft per annum. According to statistics published by the General Aviation Manufacturers Association of the United States, the number of business jets in operation in the United States, which accounts for approximately 80 per cent. of the world market for such jets, rose by over 80 per cent. in the five years to 31st December, 1979 while, over the same period, the number of hours flown there by business jets has increased by approximately 75 per cent. British Aerospace estimates that the current requirement for business jets in the western world is approximately 350 aircraft per annum.

The HS 125 has a strong position in the world market for business jets and, although maintenance of its market position will, as in the past, depend on continuing improvements being made to the aircraft, British Aerospace believes that the prospects for the HS 125 remain good.

HS 748

The HS 748, which entered service in 1962, is a short range turbo-prop aircraft with a capacity of between 40 and 60 passengers, capable of operation from short runways in rugged terrain and suitable for low density commuter routes, involving short stages, on which it is uneconomic to operate larger aircraft. The HS 748 has been progressively developed, with both civil and military versions being produced. In early 1979 the Series 2B was introduced with an improved wing and tail, a new interior design and other modifications. The Series 2B is available in civil and military versions and there is also the Coastguarder version for maritime patrol.

Since 1977 there has been a revival in interest in turbo-prop aircraft, particularly from civil operators of commuter services, primarily as a reaction to rising fuel costs and, in the United States, as a result of partial de-regulation of civil routes in 1978.

British Aerospace had delivered 257 HS 748 aircraft by 31st December, 1980, of which all but 52 were for export, and there were then orders outstanding for four aircraft. Customers for the HS 748 tend to be medium sized and small airlines which often place an order only when an aircraft is available for delivery. Accordingly, as a matter of commercial policy, British Aerospace builds small batches of the HS 748 in advance of firm customer orders. The HS 748 has also been the subject of manufacturing agreements with the Indian Government, under which these aircraft are produced in India for sale there, partly from components supplied by British Aerospace. Of the 89 sets of components to be supplied under these agreements, 86 had been delivered to India by 31st December, 1980.

Although the HS 748 has been in production for nearly 20 years, British Aerospace believes that it will continue to benefit from the revival in demand for turbo-prop aircraft.

BAC One-Eleven

The BAC One-Eleven entered service in 1965 as a short to medium haul jet airliner and has been manufactured in a number of versions carrying between 65 and 120 passengers. By 31st December, 1980, 230 aircraft had been delivered to 40 operators in 22 countries. Of these, 68 aircraft were exported to the United States; Tarom, the Romanian national airline, had ordered 14 aircraft, of which two remained to be delivered. In addition, under agreements concluded between 1977 and 1979 with the Romanian Government, 21 BAC One-Eleven aircraft are being assembled under licence in Romania, initially from components supplied by British Aerospace but, as the programme progresses, an increasing proportion of each aircraft will be manufactured in Romania. There are at present no other orders for new BAC One-Elevens.

Jetstream 31

British Aerospace is developing and producing an advanced version of the Jetstream, a twin-engined turbo-prop commuter aircraft originally developed in the late 1960s. This aircraft, known as Jetstream 31, is expected to be available for first deliveries in 1982. The two principal variants will be a commuter version designed to carry up to 19 passengers and a business version designed to carry fewer passengers, but with a longer range.

Spares and services

British Aerospace provides a spare parts and repairs service for all its civil aircraft. This is an important source of business which usually continues for many years after the delivery of an aircraft. Over 2,000 civil aircraft built by British Aerospace are in service. British Aerospace also provides training for flight crew and ground-engineers employed by its civil aircraft customers.

British Aerospace Inc. provides support services for British Aerospace's and Airbus Industrie's civil aircraft operating in North and South America.

Dynamics Group—guided missile and space systems

£ million	Sales	Trading profit	Orders outstanding at period end
Year ended 31st December,			
1975	140.5	14.5	430.1
1976	183.9	18.5	636.1
1977	249.5	27.9	717.9
1978	273.3	21.3	887.1
1979	343.6	23.1	977.9
24 weeks ended 14th June, 1980	172.4	12.7	1,092.2

Orders outstanding in respect of the Dynamics Group at 31st December, 1980 are estimated to have amounted to £1,345 million.

British Aerospace believes that it is western Europe's largest and most diversified manufacturer of tactical guided missiles and one of its largest and most diversified manufacturers of space equipment. Guided missiles account for the major part of the sales and profits of the Dynamics Group, with space systems providing a small contribution.

British Aerospace is the main contractor for nearly all United Kingdom guided missile programmes, which are principally for tactical rather than strategic use. The Ministry of Defence accounted for 57 per cent. by value of total sales of guided missile systems for the five and a half years to 14th June, 1980, the remainder being accounted for by sales to overseas governments. Of the estimated orders for guided missile systems outstanding at 31st December, 1980, 66 per cent. by value were from the Ministry of Defence. The sale of a guided missile system leads to the sale of a substantial number of missiles for both operational and training use and stockpiling, and there is also a continuing business from the sale of replacement missiles and spares and the periodic testing and servicing of the missiles and their systems.

British Aerospace normally develops guided missile systems under contract with the Ministry of Defence, the contractual arrangements being similar to those for the development of military aircraft. In order to widen its product range to meet the particular needs of overseas customers, variants of existing systems are either developed as private ventures or financed by the customer concerned.

There has been an increasing trend towards collaboration between countries in the development of new missile systems in order to share development costs, to extend production runs and to satisfy the desire, especially among NATO countries and their allies, to standardise equipment.

The efficiency of guided missiles, with their high degree of reliability and the small number of people required to operate them, should make them increasingly important to customers wishing to make the best use of the financial resources allocated to defence. The advances of technology in micro-circuits and micro-computers should permit the development of increasingly efficient and reliable guided missiles.

The Dynamics Group undertakes a wide variety of space projects, principally as a member of consortia of European companies contracting with the European Space Agency ("ESA"). An important space activity for British Aerospace is its participation in the design, development and construction of communications satellites, and it is currently involved in four such programmes. British Aerospace also participates in the production of scientific satellites and has developed particular expertise in the design and manufacture of solar arrays and attitude and orbit control systems.

The principal guided missile and space systems manufactured by British Aerospace are described below.

Naval missile systems

British Aerospace has developed missile systems for the Royal Navy, both for the defence of its own ships and for offensive operations.

Naval tactical missile systems are normally designed either for "point defence", with short range and fast reaction time for the defence of an individual ship, or for "area defence", using longer range missiles for the defence of a group of ships.

The Sea Dart provides area defence against aircraft and also has anti-missile and surface-to-surface capabilities. The Seawolf is the western world's only successful operational anti-missile missile system for point defence of ships. Both the Sea Dart and the Seawolf systems are in service with the Royal Navy and the Sea Dart is also in service with the Argentine Navy. Lighter versions of both these systems are also being developed by British Aerospace to enable them to be fitted to smaller ships and so increase their export potential.

A number of new European collaborative projects for naval missile systems are being studied with the support of the governments of the countries involved.

Army missile systems

British Aerospace has developed a range of ground-launched guided missile systems for air defence and anti-tank purposes.

The Rapier low level surface-to-air missile system is, in its various versions, currently the Dynamics Group's most important project. The Rapier's accurate guidance system gives it an exceptional operational capability and, with its blindfire radar system, it can be used at night and in poor visibility. It is in service with the British Army, the RAF and overseas armed forces. The Swiss government has recently placed a major order for Rapier, under the terms of which a proportion of the equipment will be built under licence in Switzerland. There are good prospects for further new orders, including one for the United States Air Force to defend its bases in the United Kingdom. The Brunei Government has recently placed a contract with British Aerospace for the building of a missile firing range where Rapier missiles can be fired at remotely controlled airborne targets.

Tracked Rapier is a version of Rapier mounted on an armoured vehicle, which was originally under development for export to Iran. The contracts with Iran for tracked Rapier and for the Rapier blindfire system were terminated in 1979 at the time of the revolution and before any deliveries of tracked Rapier had been made. There is the possibility of claims and counter-claims being pursued in respect of these contracts, but the Board is satisfied that they would not have any material adverse effect on the Company. Development work on the tracked Rapier system is being carried out for the Ministry of Defence, which may lead to an order for the British Army.

The Swingfire long range anti-tank missile system, which has been in production since 1965, is in service with the British Army and has been sold to three overseas countries, including Egypt where it is also being made under licence. The system is being further developed and will continue in service for many years.

The British Army is currently being equipped with the Milan portable medium range anti-tank guided missile developed by Euromissile, a Franco-German joint venture, and made under licence by British Aerospace. First deliveries of the Milan to the British Army by British Aerospace were made in 1979. British Aerospace will manufacture one third of any future sales of the Milan to countries other than the United Kingdom, France and Germany.

British Aerospace is manufacturing, under licence, a version of the sight for the United States TOW anti-tank missile system, and is responsible for the overall integration of the system, for use by the British Army on its Lynx helicopters.

Euromissile Dynamics Group ("EMDG") has recently been formed by British Aerospace, Aérospatiale and Messerschmitt-Bölkow-Blohm as a G.I.E. in which each company has a one third interest. EMDG has a contract from the governments of the United Kingdom, France and Germany to study the feasibility of a new generation of long and medium range anti-tank missiles. EMDG may undertake other guided missile projects in due course.

Air missile systems

British Aerospace has developed a range of air-to-air and air-to-surface missiles.

The Sky Flash medium range air-to-air missile has been developed by British Aerospace, from the Sparrow missile designed in the United States, to provide all weather capability against aircraft flying well below or well above the launching aircraft. Full production of Sky Flash started in 1979 to arm the RAF Phantom and, in due course, the Tornado ADV aircraft, and the Swedish Government has entered into a contract to buy Sky Flash for fitting to the Viggen JA 37 aircraft. Although the development of an advanced version of Sky Flash has recently been terminated by the Ministry of Defence, production of the existing version is expected to continue for some years. British Aerospace is currently participating in the production of the AIM-9L, a version of the United States' Sidewinder air-to-air missile, which is being assembled in Europe by Bodenseewerk Gerätetechnik GmbH under licence. British Aerospace and Bodenseewerk Gerätetechnik GmbH are also jointly engaged in studies commissioned by the United Kingdom and German governments for an advanced short range air-to-air missile ("ASRAAM").

The development of the Sea Eagle, a long range air-to-surface missile for use against warships, is an important programme being undertaken by British Aerospace for the 1980s. The Sea Eagle, which is derived from the Martel long range air-to-surface missile, has an advanced guidance system, including its own built-in computer. Reference is made to both ASRAAM and Sea Eagle under "Current Trading and Dividends" below.

The Sea Skua is a helicopter-launched air-to-ship sea skimming missile for use against fast patrol boats and frigates. Helicopters armed with the Sea Skua can operate from ships or in a land-based coastal defence role. First deliveries of the Sea Skua were made to the Royal Navy in 1980 for trials and it is expected to enter operational service this year.

British Aerospace is also engaged in studies in co-operation with European and United States companies in relation to a possible new air-to-surface missile system.

Space systems

Since the early 1960s, British Aerospace has participated in space projects concerned with communications and scientific satellites and their launching. This work on spacecraft and space equipment is carried out using special facilities under conditions of particularly high cleanliness and careful control.

The high costs of space work have resulted in most projects being commissioned by international organisations representing various national or commercial interests. The main such organisation in Europe is ESA, which is financed by 14 nations. Contracts are awarded by ESA to industries in the member nations in approximately the same proportion by value as the respective country's contribution to each project. The United Kingdom's participation in ESA is currently about 13 per cent., varying from project to project.

British Aerospace has had considerable experience since the mid-1960s in the design and construction of communications satellites. It operates as prime contractor in all the communications satellite programmes which have been commissioned by ESA. An experimental orbital test satellite was successfully launched by ESA in 1978, in preparation for its fully operational successor, the European Communication Satellite ("ECS"). Five ECSs have been ordered, the first due for launching in 1982, and they will be capable of handling a significant proportion of future European telephone, telex and television traffic. A maritime version, called MARECS, is being developed and two are planned to be launched in 1981 to provide global communication links between ships and shore stations. British Aerospace has also been selected by ESA as prime contractor for L-Sat, a proposed new satellite system which will enable television programmes to be relayed from satellites to homes in Europe.

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British Aerospace is also participating in a variety of scientific space projects. It is designing and will manufacture the solar arrays and a photon detector assembly for the Space Telescope and it is building the attitude and orbit control equipment for the International Solar Polar mission satellite; both experiments are intended to be launched in the mid-1980s as part of the European space programme which is being co-ordinated by ESA. British Aerospace is also making for the European Spacelab the pallets which will carry unmanned experiments and it is engaged in a study for ESA of a solar energy concept which may eventually provide an important alternative energy source.

The Skylark sounding rocket, manufactured by British Aerospace, is used for scientific investigations requiring a short exposure to the upper atmosphere and outer space. Over 380 Skylark rockets have been launched to date for ESA, the Science Research Council in the United Kingdom and the German space agency. British Aerospace is also manufacturing parts for ESA's own launch rocket, Ariane, which will give members of ESA and others a capability to launch their own scientific and communications satellites.

Other projects

The Dynamics Group has a considerable range of other products, some of which provide specialised sub-systems for its guided missile requirements. The precision products group within the Dynamics Group is one of the leading manufacturers of gyroscopes in western Europe. There is also a group producing reinforced micro-wave plastic radomes for aircraft and missiles. Both of these groups export to continental Europe and the United States. Another group is making infra-red homing heads for air-to-air missiles, fuzes and linescan equipment and is concerned with the latest technology for infra-red surveillance and homing devices. The Dynamics Group has for many years manufactured propellers for both aircraft and hovercraft and also air-conditioning units for aircraft.

Arrangements with Customers

Military projects

Military projects undertaken by British Aerospace alone are generally developed and produced under contract either with the Ministry of Defence or with overseas governments. Projects undertaken in collaboration with other aerospace manufacturers are normally developed and produced under contract with a collaborative company or partnership formed by the manufacturers. The collaborative company or partnership will contract, in turn, with the national governments of the participants.

Contracts for the development stage of a project are normally on the basis of cost reimbursement with provision for profit which includes some incentive for efficiency. Contracts for production may also be on that basis but are more frequently on a fixed price basis with provision for adjustment in certain contracts, particularly those of long duration, to take into account inflation in wage rates and the cost of materials. Most contracts with the Ministry of Defence entered into by British Aerospace are subject to the profit formulae and, in the case of fixed price contracts, also to the post-costing arrangements which generally govern such Government contracts. These formulae and arrangements are agreed between the Confederation of British Industry and HM Government and are reviewed, normally every three years, by the Review Board for Government Contracts, which also determines the price adjustment on any particular contract in the case of a dispute. The third General Review was published recently by the Review Board; it recommended that there should be no change to the existing formulae and arrangements and that representatives of HM Government and contractors should study how inflation accounting should be introduced into the pricing of Government contracts. Representatives of the Confederation of British Industry are currently holding discussions with HM Government about these recommendations, including those relating to profit rates for contractors.

The major proportion of sales to overseas governments is in respect of products initially developed under contract with the Ministry of Defence and accordingly these sales are subject to a levy payable to the Ministry of Defence in return for the use of Ministry of Defence funded designs, jigs and tools, the levy being calculated either on sales or on a profit sharing basis. Occasionally, a foreign contract will involve British Aerospace in arranging for the export sale of that country's products as an offset to the contract price and such arrangements may also apply in the case of contracts for the sale of civil aircraft. The sale of military products to overseas governments requires the consent of HM Government.

Civil aircraft

Orders for civil aircraft are normally either on a fixed price basis or subject to adjustment, with an overall maximum, to take account of inflation in wage rates and the cost of materials. Some orders are subject to the arrangement of satisfactory finance, which British Aerospace may assist the customer to find. In the case of large or medium sized civil aircraft, orders are often placed some years ahead of delivery. In addition, customers may negotiate options for the purchase of civil aircraft. The terms of these options vary, but normally include the payment of a deposit, sometimes non-refundable, by the customer in order to secure a delivery position. Sale prices of civil aircraft to overseas customers are usually expressed in dollars. British Aerospace endeavours to protect its business, so far as practicable, from the effects of changes in currency values.

Space equipment

Most contracts for space equipment are placed by collaborative organisations such as ESA (referred to above) with one of the international consortia of manufacturers. These contracts are sometimes on a fixed price basis, but normally provide for adjustments for inflation in wage rates and in the cost of materials, with incentives dependent on equipment performance.

Credit risk insurance

The credit risk of sales to overseas customers is often the subject of cover provided by the Export Credits Guarantee Department.

Relationships with Suppliers

Both the Aircraft and Dynamics Groups are dependent on outside suppliers for a number of components and sub-assemblies, including engines, rocket motors, warheads and much of the electronic, avionic, radar and hydraulic equipment. Although delays in delivery or the supply of defective parts by outside suppliers could seriously impede progress on a particular project, British Aerospace believes that instances where disruption in the delivery of such an item would have a material adverse effect on British Aerospace's profitability are likely to be rare.

It is British Aerospace's practice to maintain stocks of raw materials and to have arrangements with suppliers of raw materials appropriate to its production requirements. British Aerospace believes that its present position in respect of raw materials is satisfactory.

Research and Development

British Aerospace's success is dependent upon its technical expertise in a market which demands continuous technological development and innovation. Most divisions of the Aircraft and Dynamics Groups have extensive research and development facilities and there are more than 5,500 qualified engineers and scientists within British Aerospace engaged directly in research and development.

The research teams of British Aerospace collaborate closely, in relation to military projects, with the officials and research establishments of the Ministry of Defence. Representatives of British Aerospace and the Department of Industry meet, when appropriate, to discuss their respective programmes of basic aeronautical research.

Research and development costs may be categorised either as general expenditure or as part of the launching costs in respect of a new civil aircraft project (described under "Business—Civil aircraft" above). General research and development expenditure undertaken by British Aerospace for its own account covers a wide range of activities. Among the more important of these activities are the design and development of new products, product improvement, the application of modern electronic technology and advanced aerodynamic concepts, the development of new materials, such as carbon fibre, advanced titanium and aluminium alloys, and the improvement of engineering and manufacturing processes.

Fixed Assets

Properties

Details of British Aerospace's principal sites and the main activities carried out therein are set out in Appendix I. Many of these sites are of a specialised nature with some including airfields for flight testing and the despatch of aircraft.

British Aerospace has recently exchanged contracts for, and in some cases completed, the purchase of the freehold of certain of these properties, previously held on lease, from the Ministry of Defence for purchase prices amounting in aggregate to approximately £7 million, and it is negotiating with another party to purchase the freehold of its principal sites at Stevenage.

Plant and equipment

Over recent years British Aerospace has made a substantial investment in equipment for research and development and plant and machinery, in particular computer-aided design and manufacturing equipment such as numerically controlled machine tools and electronic test equipment. A capital investment budget for plant and equipment amounting to over £50 million has been authorised by the Board for 1981. In addition, the Board has authorised a budget for new leases of capital equipment, mainly computer facilities, with a capital value of approximately £22 million for the year ending 31st December, 1981.

The manufacture and assembly of aircraft requires a substantial investment in jigs and tools. British Aerospace manufactures most of its own jigs and tools, the majority of which relate to particular projects.

Organisation

The Board is responsible for the overall direction of the activities of British Aerospace. All the executive Directors of the Company were executive Members of the Corporation with responsibilities corresponding to those of their present appointments. There are five non-executive Directors, of whom two are Government Directors (see "Relationship with HM Government" below). The average age of the executive Directors of the Company, several of whom have served with British Aerospace for a considerable number of years, is 60. The Board considers that the senior management within British Aerospace is of high calibre and will provide continuity for the future.

The Company has a small staff at its headquarters which is primarily responsible for corporate strategy and planning, financial, legal and secretarial duties and the co-ordination of industrial relations and the technical activities of the Aircraft and Dynamics Groups.

The Company's business is mainly carried on through these two operating Groups whose activities, together with those of the Company's headquarters, are co-ordinated at various levels, including the management committee of the Board which comprises all the executive Directors of the Company. The Aircraft and Dynamics Groups operate with a high degree of autonomy within guidelines and authorities laid down by the Board and administered by the headquarters staff. The activities of the Groups are carried out by a number of divisions, as set out in Appendix I. The Groups are responsible for the overall co-ordination of the activities of the divisions and, in particular, the allocation of work.

In addition to the divisional line management structure, most projects have a project management team which is responsible for the overall co-ordination and progress of the project. This team typically operates across a number of divisions since, on a major project, several divisions may be involved, but overall responsibility is allocated to one division to which the team reports. Each major project has a marketing team which operates from the division having prime responsibility for that project. Overall co-ordination of the work of these teams is undertaken at the headquarters of the Group concerned.

Management and Employees

Directors

The Directors of the Company are as follows:—

Sir Austin Pearce (aged 59) is the Chairman of the Company. He was until March 1980 Chairman and Chief Executive of Esso Petroleum Co. Limited and was a part-time Member of the Corporation for 3 years. He became full-time Chairman of the Corporation in April 1980. He is also a non-executive Director and Deputy Chairman of Williams & Glyn's Bank Limited and a non-executive Director of Royal Bank of Scotland Group Limited.

Mr. A. H. C. Greenwood (aged 63) is Deputy Chairman of the Company. He has served with British Aerospace for 41 years. He was Chairman of British Aircraft Corporation from 1976 to 1977.

Sir Frederick Page (aged 63) is Chairman and Chief Executive of the Aircraft Group. He has served with British Aerospace for 42 years and was Managing Director (Aircraft) of British Aircraft Corporation from 1972 to 1977.

Admiral Sir Raymond Lygo (aged 56) is Chairman and Chief Executive of the Dynamics Group. He has served with British Aerospace for 2½ years and was Deputy Chairman of the Dynamics Group Board from 1st January, 1980 to 1st September, 1980.

Mr. B. E. Friend (aged 50) is Director of Finance. He has served with British Aerospace for 3½ years and was formerly Chairman and Managing Director of Esso Chemical (U.K.) Limited. He is also a non-executive Director of The Iron Trades Employers Insurance Association Limited and Iron Trades Mutual Insurance Company Limited.

Mr. E. G. Rubython (aged 59) is Deputy Chief Executive of the Aircraft Group. He has served with British Aerospace for 31 years and was Director and General Manager of Hawker Siddeley Aviation from 1973 to 1977.

Air Chief Marshal Sir Peter Fletcher (aged 64) is Director of Corporate Strategy and Planning. He has served with British Aerospace for 7 years and was a Director of Hawker Siddeley Aviation from 1974 to 1977.

Mr. J. T. Stamper (aged 54) is Technical Director of the Company and of the Aircraft Group. He has served with British Aerospace for 33 years and was Technical Director of Hawker Siddeley Aviation from 1968 to 1977.

Mr. L. W. Buck (aged 65) is Industrial Relations Director. He has served with British Aerospace for 3½ years and was formerly General Secretary of the National Union of Sheet Metal Workers, Coppersmiths, Heating and Domestic Engineers.

*Mr. K. M. Bevins (aged 62), a non-executive Director of the Company, is a Director and former Chief General Manager of Royal Insurance Company Limited. He was appointed a part-time Member of the Corporation in May 1980.

*Mr. K. Durham (aged 56), a non-executive Director of the Company, is Vice-Chairman of Unilever Limited. He was appointed a part-time Member of the Corporation in September 1980.

Mr. D. O. Gladwin (aged 50), a non-executive Director of the Company, is a Regional Secretary of The General and Municipal Workers' Union, and a part-time Member of the Post Office and the English Tourist Board. He was a part-time Member of the Corporation for 3½ years.

Mr. H. A. Hitchcock (aged 60), a non-executive Director of the Company, has recently retired as Deputy Group Chief Executive (International Business) of National Westminster Bank Limited. He was appointed a part-time Member of the Corporation in September 1980.

Sir Jack Wellings (aged 63), a non-executive Director of the Company, is Chairman and Chief Executive of The 600 Group Limited and a non-executive Director of Turner & Newall Limited. He was appointed a part-time Member of the Corporation in June 1980.

*Government Directors (see "Relationship with HM Government" below).

Employees

British Aerospace has approximately 79,300 employees, of whom some 3,300 are employed overseas, mostly on the Saudi Arabian defence support contract referred to above.

The design, manufacture and assembly of aircraft, guided missiles and space systems is a skilled and labour-intensive process. The nature of the business requires a sizeable design and administrative staff to support the direct labour force. The following table gives an approximate breakdown of British Aerospace's employees at 31st December, 1980:

	Aircraft Group	Dynamics Group	Headquarters and overseas subsidiaries	Total
United Kingdom based				
Production	28,300	8,100	—	36,400
Research and development	7,900	6,700	—	14,600
Commercial/administration	21,200	3,700	100	25,000
	57,400	18,500	100	76,000
Overseas based	2,800	100	400	3,300
Total	60,200	18,600	500	79,300

The Board believes that British Aerospace's highly skilled workforce represents one of its most valuable assets and provides the basis for the future development and growth of the business.

British Aerospace has extensive technical development and training programmes for its employees and pursues a policy of promotion, where practicable, from within its own workforce. The long service of a high proportion of employees is a feature of British Aerospace's workforce.

In the 12 months ended September 1980, British Aerospace recruited over 500 new graduates and took approximately 1,600 new entrants into its apprenticeship training schemes. There is a shortage in the United Kingdom, particularly in some areas, of people possessing certain technical skills and some difficulty may be experienced in recruiting such people at some locations during the early part of the 1980s.

Approximately 70 per cent. of the employees of British Aerospace are members of trade unions. Negotiations on wages and conditions are conducted at site level. The Board considers that industrial relations within British Aerospace over the past five years have been generally satisfactory and at present are good and the Board is pursuing a policy of improving communications with employees. Continuing efforts are being made to increase productivity with the co-operation of employees.

Following the introduction of a new pension scheme on 6th April, 1979, over 90 per cent. of eligible employees became members. Pensions payable under the scheme are based on final salary and increase at the rate of 4 per cent. per annum compound once payment has commenced, any further increases being at the discretion of the Board. An actuarial valuation of the new scheme as at 6th April, 1979 showed that accrued liabilities were adequately funded both on a discontinuance basis and also on an accrued current rights basis. However, there was, as anticipated, a deficiency on the higher funding target adopted by the trustees and agreed by the Board. This deficiency is being progressively reduced by the contributions being paid which are at the rate recommended by the actuary.

Relationship with HM Government

The following is the text of a letter from the Secretary of State for Industry to the Chairman of the Company dated 3rd February, 1981 regarding the future relationship between HM Government and British Aerospace:

HM Government as customer

There will be no change in the relationship between the Ministry of Defence as customer and the Company as contractor consequent upon the Offer for Sale. British Aerospace is, and will continue to be, treated by the Ministry of Defence in accordance with the same criteria as other United Kingdom defence contractors with contracts awarded to meet United Kingdom defence requirements either by tender or, in the case of non-competitive contracts, subject to the profit formulae and post-costing arrangements agreed by HM Government and the Confederation of British Industry.

HM Government as shareholder

Following the Offer for Sale, HM Government will have a shareholding of between 48.37 per cent. and 50 per cent. of the issued share capital of the Company, depending on the number of shares acquired by or for the benefit of the employees of British Aerospace under the special arrangements relating thereto. HM Government is prohibited by section 7 of the British Aerospace Act 1980 from using its powers under that Act to increase the proportion of Ordinary Shares it holds following the Offer for Sale. The only other relevant provisions under which HM Government might acquire shares in the Company are contained in Part II of the Industry Act 1972 as amended by the Industry Acts 1975 and 1980. Any acquisition made under those provisions would not be subject to the limit imposed by section 7 of the British Aerospace Act 1980 on the proportion of Ordinary Shares which may be held by HM Government. However, HM Government could only acquire shares under those provisions if the Company itself sought financial assistance and if the Secretary of State was satisfied that such assistance could not, or could not appropriately, be provided otherwise than by him. Following the Offer for Sale HM Government does not intend to sell any more of its shareholding in the Company for the foreseeable future. HM Government has also made it clear that, in any event, it intends to retain a shareholding conferring more than 25 per cent. of the voting rights ordinarily exercisable in general meetings.

HM Government does not intend to use its rights as a shareholder to intervene in the Company's commercial decisions. It would be prepared to use its voting rights in cases where it wished to prevent an alteration to the provisions of the Company's Articles of Association relating to United Kingdom control, to the nationality of the Directors or to Government Directors. It might also wish to vote its shares in opposition to a resolution proposing the election of a Director believed to represent foreign interests. It does not expect to vote its shareholding in opposition to a resolution supported by a majority of the Board in other circumstances, although it retains the power to do so.

Under the Company's Articles of Association HM Government has the right to appoint two non-executive Directors to the Board and HM Government has now appointed Mr. K. M. Bevins and Mr. K. Durham as Government Directors. The Government Directors have no special powers and their duties, like those of all directors, are to the Company as a whole. The Government Directors are generally not entitled to vote at any Board meeting on any issue relating to a contract or proposed contract with the Company to which the Crown (or a person acting on behalf of the Crown or a company of which the share capital is wholly-owned by or on behalf of the Crown) is a party.

Sales support

The support of HM Government in relation to overseas sales will continue to be available to British Aerospace on the same basis as to other United Kingdom companies. Where there are in existence Memoranda of Understanding between HM Government and overseas governments relating to contracts entered into by British Aerospace, HM Government's undertakings under these Memoranda of Understanding will continue to be honoured. The Offer for Sale will not cause HM Government to change its criteria for entering into new Memoranda of Understanding. Existing facilities provided by the Export Credits Guarantee Department will be unaffected by the Offer for Sale. The Export Credits Guarantee Department will be prepared to consider applications from the Company for further facilities in exactly the same way as it would consider applications from any other company.

Airbus Industrie

HM Government reached an understanding, embodied in Principles of Co-operation established in 1978, with the governments of France and Germany to support the Corporation's participation as a full member of Airbus Industrie from 1st January, 1979 and to stand behind the Corporation in the discharge of its financial obligations to Airbus Industrie. These Principles now apply equally to the Company. HM Government has informed the French and German governments that the change in legal constitution and ownership of British Aerospace brought about by the British Aerospace Act 1980 and the Offer for Sale will in no way weaken the support of HM Government for participation by British Aerospace in the Airbus programme.

HM Government finance

The Company will have the same eligibility for government finance as other companies in the private sector, and as the Corporation's predecessor companies had prior to nationalisation. The principal statutes likely to be relevant are the Civil Aviation Act 1949, under which HM Government may give assistance for the design, development and production of civil aircraft, and the Industry Act 1972 (as amended), under which HM Government may give assistance to provide employment in the assisted areas or in the national interest. Any application for such government finance will be treated on its merits, and will be subject to the general guidelines and financial limits that may apply at any time in relation to the relevant statute.

Creditors

Persons who were creditors of the Corporation and its wholly-owned subsidiaries immediately before 1st January, 1981, the date on which the undertaking of the Corporation vested in the Company, are protected by section 9 of the British Aerospace Act 1980. This section provides that outstanding liabilities of the Corporation, which at the date of vesting became liabilities of the Company, or which may become liabilities of the Company under section 8 of the Act, will be discharged by the Secretary of State in the event of the Company being wound up except merely on a reconstruction or amalgamation. Under section 8 of the Act, the Company is liable for the judgment debts of companies which became its wholly-owned subsidiaries on the day of vesting where the cause of action arose before that day.

These provisions do not apply to obligations entered into by the Company or its wholly-owned subsidiaries after the date of vesting. Except as provided in section 9 of the Act, HM Government will have no commitment to meet the debts of the Company or its subsidiaries after the Offer for Sale.

For further information on the relationship between HM Government and British Aerospace see "Arrangements with Customers" above, "Airbus Industrie: Inter-governmental Committee" in Appendix III and "Articles of Association" and "British Aerospace Act 1980" in Appendix IV.

United Kingdom Control

In order that the Company should remain under the control of citizens of the United Kingdom and Colonies, the Articles of Association of the Company restrict the number of Foreign-held Shares (as defined) at any one time to 15 per cent. of the issued shares conferring a right ordinarily to vote at General Meetings of the Company. This restriction does not apply to shares while held in trust under the Company's Employee Share Ownership Scheme. The Articles of Association also provide that the Directors of the Company must be citizens of the United Kingdom and Colonies. Full details of the provisions relating to United Kingdom control are set out in paragraph 2(d) of Appendix IV.

Past Profits

There is set out below a summary of the profits of British Aerospace, under the historical cost convention, for the years 1975 to 1980. In respect of the years 1975 to 1979, this summary has been prepared from audited accounts on the bases which are set out in the Accountants' Report and which include appropriate adjustments, in particular to eliminate certain interest and dividend payments in order to reflect the capital structure of the Company immediately before this Offer for Sale. The estimated figures for 1980 have been prepared by the Board on the bases and assumptions set out in Appendix II, the bases being the same as those used for the figures for 1975 to 1979. These estimates have been prepared in advance of the preparation and audit of the accounts of British Aerospace for the year ended 31st December, 1980 and may therefore be subject to adjustment.

£ million	Audited					Estimated
Year ended 31st December	1975	1976	1977	1978	1979	1980
Sales	536.5	740.3	859.6	894.5	1,027.4	1,375.0
Trading profit	43.7	57.1	70.6	68.3	77.0	92.0
Launching costs	—	—	5.5	11.0	39.1	55.0
Profit before interest	43.7	57.1	65.1	57.3	37.9	37.0
Net interest receivable	0.7	1.5	1.5	8.6	11.8	14.5
	44.4	58.6	66.6	65.9	49.7	51.5
Share of profits of associated companies	0.2	0.1	0.1	0.3	0.6	0.5
Profit before taxation	44.6	58.7	66.7	66.2	50.3	52.0
Taxation	24.1	26.1	34.3	33.2	6.6	1.0
Profit after taxation	20.5	32.6	32.4	33.0	43.7	51.0

Profits in 1975 to 1979

In the five years to 31st December, 1979, sales increased from £536 million to £1,027 million and trading profit increased from £43.7 million to £77.0 million.

Military aircraft business provided the largest contribution to the trading profit of British Aerospace. The major part of the Jaguar production programme was carried out during this period, while production of the Tornado built up towards the end of the period. There was also an important contribution from defence support services.

The level of activity on civil aircraft programmes increased substantially between 1975 and 1979, although there were adverse results on some programmes, notably the Trident. The supply of A300 wing boxes to Airbus Industrie, a strong sales performance by the HS 125 and continuing sales of the HS 748 were the principal factors in increasing the trading profit from civil aircraft during this period. Until 1st January, 1979 British Aerospace supplied wing boxes to Airbus Industrie as a subcontractor, but on its becoming a full member of Airbus Industrie the financial arrangements for British Aerospace were changed to conform with those of the other members. The effect of these arrangements has been to lower the transfer prices paid to British Aerospace for the supply of wing boxes, but to allow British Aerospace to participate in future profits of Airbus Industrie on the basis described in Appendix III (see also "Accounting Policies" in the Accountants' Report).

The launching costs from 1977 to 1979 shown above reflect the early development of the BAe 146 and the A310 wing. The nature of these launching costs is described under "Business—Civil aircraft" above and the accounting treatment is described in the Accountants' Report. Substantially all launching costs relating to the early periods of development of these aircraft have been written off as incurred.

The Rapier projects were together the largest contributor to the Dynamics Group's profits during the five-year period; however, the cancellation of the Iranian Rapier contracts adversely affected that Group's profits in 1978 and 1979. The Sky Flash and Swingfire projects were the most significant among the other contributors to the Dynamics Group's profits over the same period.

The low taxation charge for 1979 resulted from the release of deferred taxation for stock appreciation relief in respect of 1973 and 1974 arising from the provisions of the Finance (No.2) Act 1979; otherwise, full provision was made for deferred taxation on stock appreciation relief and capital allowances.

Profits in 1980

The audited results of British Aerospace for the 24 weeks ended 14th June, 1980 are set out in the Accountants' Report and the estimated results, under the historical cost convention, for the full year to 31st December, 1980 are set out in the table above.

In 1980, military aircraft business continued to provide the largest share of the trading profit of British Aerospace, the most significant contributors being the Tornado, Harrier and Hawk projects and defence support services.

The high level of activity on civil aircraft programmes was sustained during 1980, with the HS 125 and the HS 748 making good contributions to trading profit. The supply of A300 wing boxes to Airbus Industrie remained at a high level following the strong sales performance of this aircraft but, for the reasons indicated under "Profits in 1975 to 1979" above and described in the Accountants' Report, there has been no contribution to profits from the supply of these wing boxes during 1980.

Good progress was made during 1980 on both the BAe 146 and the A310 projects. The Board intends to pursue its conservative accounting treatment of launching costs, as described in "Accounting Policies" in the Accountants' Report. In accordance with these policies it will, in respect of the year ended 31st December, 1980, be writing off all design and development costs incurred during 1980 in respect of the BAe 146 and the A310. As regards expenditure on jigs and tools and education incurred in 1980, it expects to write off 50 per cent. of such expenditure in respect of the BAe 146, and, in view of the level of orders already received for the A310, to carry forward all such expenditure in respect of that aircraft. On this basis, British Aerospace expects the aggregate launching costs carried forward at 31st December, 1980 to be approximately £38 million, comprising £18 million in respect of the BAe 146 and £20 million in respect of the A310. Expenditure on jigs and tools and education carried forward will be amortised by reference to an appropriate assessment of sales which will be made in respect of each project when deliveries commence and thereafter kept under review.

During 1980, the Rapier projects together continued to be the largest contributor to the Dynamics Group's trading profit, with the Sky Flash and Swingfire projects also making significant contributions.

It is not expected that there will be any United Kingdom mainstream corporation tax payable, or that any further provision will be required for deferred taxation, in respect of 1980.

Peat, Marwick, Mitchell & Co. and Kleinwort, Benson Limited have each reported on the Board's profit estimates for 1980 and its statements regarding the profits for 1981 set out under "Current Trading and Dividends" below. Their letters, together with the bases and assumptions on which these estimates and statements have been made, are set out in Appendix II.

Re-stated 1980 profits

The Board's estimate of historical cost profits for the year ended 31st December, 1980 is re-stated below as if during the whole of 1980, British Aerospace had had the benefit of the £100 million of additional equity capital referred to under "Introduction" above.

	£ million
Trading profit	92.0
Launching costs	55.0
Profit before interest	37.0
Net interest receivable (Note 1)	27.5
	64.5
Share of profits of associated companies	0.5
Profit before taxation	65.0
Taxation (Note 2)	7.7
Profit after taxation	57.3

Notes:

1. Net interest receivable is re-stated allowing for the benefit of the £100 million of additional equity capital at an assumed interest rate of 13 per cent. per annum.
2. Taxation is based on the estimated taxation payable, adjusted to take account of United Kingdom advance corporation tax which would have been payable on the level of dividends indicated below in respect of the year ending 31st December, 1981 (assuming the current rate of advance corporation tax of 30/70ths and no relief for such tax).

On the basis of the number of Ordinary Shares which will be in issue following this Offer for Sale, the re-stated estimated profit after taxation shown above represents earnings of 28.65p per share. On this basis the price/earnings multiple at the offer price is 5.2 times. If these earnings were calculated after a notional full United Kingdom corporation tax charge of 52 per cent. the resultant earnings per share would be 15.6p, representing a price/earnings multiple at the offer price of 9.6 times.

Current Cost Accounts

Set out in the Accountants' Report are profit and loss accounts for the year ended 31st December, 1979 and for the 24 weeks ended 14th June, 1980 prepared under the current cost accounting convention in accordance with Statement of Standard Accounting Practice on Current Cost Accounting (SSAP 16). As noted under "Arrangements with Customers" above, much of British Aerospace's business is conducted on a basis which provides a measure of protection against inflation in costs, through either cost plus contracts or contracts which contain escalation clauses. However, these arrangements do not necessarily provide the price levels needed to meet the impact of inflation on the capital employed in the business. In the short term, British Aerospace's profits, on the historical cost basis, are not significantly influenced by the rate of inflation. By contrast, the adjustments required to arrive at the current cost profits are particularly sensitive to changes in inflation levels.

In preparing the current cost accounts, appropriate government indices have been used. These indices are still provisional for a number of months in 1980 and recent experience indicates that there may be significant changes in the indices when they are finalised. On the basis of the latest information available, the Board estimates that the impact of the main adjustment, the working capital adjustment, will be particularly severe for the year ended 31st December, 1980. This adjustment reflects, *inter alia*, the impact of inflation on inventories and the fact that for the relevant period of calculation the inflation rate applicable to British Aerospace's working capital was in excess of 20 per cent.

The estimated working capital adjustment for the year ended 31st December, 1980 is equivalent to 50 per cent. of the historical cost trading profit. The substantial amounts written off in respect of launching costs fall to be deducted from both the historical and the current cost profits and, as a result, the Board estimates that, without taking into account the benefit of the additional equity capital, the profit before taxation on a current cost accounting basis for the year ended 31st December, 1980 will be close to breakeven. Reference is made to current cost profits for 1981 under "Current Trading and Dividends" below.

Net Assets, Proceeds of Issue of New Shares and Working Capital

The net assets attributable to shareholders of the Company by reference to the consolidated audited historical cost accounts at 14th June, 1980, adjusted to take into account the additional equity capital, amount to approximately £592 million.

On the basis of the Board's estimate of the progress of British Aerospace's projects overall and in particular the development and production of the BAe 146 and its participation in the A310, British Aerospace will, for several years at least, have substantial requirements for external finance.

After deducting such expenses of this Offer for Sale as are payable by the Company, the issue of new Ordinary Shares for cash will raise approximately £99 million for the Company.

In addition, the Company has available to it loan facilities aggregating the equivalent, at current exchange rates, of approximately £400 million, of which approximately £150 million are bank overdraft and other short term facilities and approximately £250 million are in the form of medium term facilities in sterling or dollars, some of which have multi-currency options. These medium term facilities, under which no drawings have yet been made, bear interest at variable rates, are revolving for the first five years and have final maturities of between seven and ten years and various repayment schedules.

The Board considers that, having regard to the additional equity capital being raised and to the loan facilities referred to above, British Aerospace has sufficient working capital to meet its present requirements.

Current Trading and Dividends

HM Government's defence spending

British Aerospace is the largest single contractor to the Ministry of Defence. The Board estimates that British Aerospace's sales, directly and indirectly, to the Ministry of Defence for the year ended 31st December, 1980 were over £500 million. By comparison, the current total cash provision for defence in HM Government's financial year ending 31st March, 1981 (1980-81) was some £11,150 million, of which some £4,500 million was for expenditure on equipment. The Board has been informed by HM Government that Parliament will shortly be asked to approve a Supplementary Estimate for defence equipment expenditure which would increase these figures to about £11,400 million and £4,900 million respectively after taking into account expected reductions in other defence spending. On 20th January, 1981 the Secretary of State for Defence announced that planned defence expenditure in the financial year ending 31st March, 1982, after taking account of the reduction of £200 million in planned expenditure announced by the Chancellor of the Exchequer in November 1980, would be £9,753 million (at Autumn 1979 prices), being equivalent to a cash out-turn of the order of £12,250 million, which is more than £1,000 million higher than that planned for 1980-81. This means that planned defence expenditure for 1981-82 will be about 5 per cent. higher in real terms than actual 1979-80 expenditure. Thereafter, it is expected to grow in real terms at an annual rate in the region of 3 per cent. based on the revised 1981-82 level. The planned defence expenditure (at Autumn 1979 prices) for 1982-83 and 1983-84 is about £10,050 million and £10,350 million respectively.

It is HM Government's general practice that any overspend on a particular cash limit is offset by a corresponding deduction from the cash limit in question in the following financial year. The increased cash figures for 1980-81 mentioned in the preceding paragraph presuppose an overspend in 1980-81 of the order of £250 million. The Board has been informed that the out-turn for 1980-81 will not be known for some time and that the position will need to be reviewed when it is known.

The Ministry of Defence is not in a position, at this stage, to provide the Board with a detailed assessment of the likely effect of these financial measures on British Aerospace. In relation to the Company's capability for developing and producing air-launched missiles, the Secretary of State for Defence stated in the House of Commons on 20th January, 1981 that development work on the Sea Eagle would continue although further consideration would be needed before its place in the defence programme could be confirmed. The Ministry of Defence has subsequently informed the Board that it remains HM Government's present intention that British Aerospace should participate in the development of an advanced short range air-to-air missile (ASRAAM) for which a four-power (United Kingdom, United States, France and Germany) Memorandum of Understanding was signed in 1980, although this is still at an early stage; the Ministry of Defence has approved a programme with British Aerospace to demonstrate relevant technology. HM Government has indicated that it is not at present contemplating measures which would jeopardise other projects which the Board considers are critical to the Company's commercial and financial prospects both in the long and the short term.

The Board has also had discussions with the Ministry of Defence concerning the likely overall effect on British Aerospace of these measures.

The Board is satisfied, having regard to these discussions and the indications given by HM Government in relation to defence expenditure described above, that, in the light of British Aerospace's business overall, the measures contemplated at the present time by HM Government are unlikely to impair materially the prospects of British Aerospace.

In his statement on 20th January, 1981, the Secretary of State for Defence explained that, in common with other countries, the United Kingdom faced a major task in matching resources to defence needs, and that over the next year or so it would prove necessary to examine programmes further against the resources which might be available.

Profits in 1981

The write-off of launching costs will continue to have a significant effect on profit before taxation in the current year. If the A310 and BAe 146 projects progress as the Board expects, the Board would, in relation to these projects, expect to carry forward all expenditure on jigs and tools and education costs incurred during the year ending 31st December, 1981, while continuing to write off all design and development costs. As mentioned below, the write-off of launching costs in relation to a project in any year will be significantly affected by the view the Board takes on future sales and future trends of inflation and exchange rates, as these are critical factors in the overall assessment of a project. On the basis of the present forecast of launching cost expenditure in 1981, it is estimated that the write-off of launching costs in that year will be below that for 1980. If, contrary to the Board's present expectation, the Board again decided to write off 50 per cent. of the expenditure on jigs and tools and education costs incurred in relation to the BAe 146 in 1981, the total write-off of launching costs in that year would be slightly higher than in 1980. Expenditure carried forward will be amortised by reference to an appropriate assessment of future sales.

After taking into account the indications given to the Board by HM Government as to the effect of the measures regarding defence expenditure described above and based on the Board's estimate of the write-off of launching costs referred to above, the Board considers, on the bases and assumptions set out in Appendix II, that the profit before taxation on the historical cost basis for the year ending 31st December, 1981 will be much the same as the re-stated profit before taxation for the year ended 31st December, 1980 set out above.

On the assumption that inflation rates in the United Kingdom will abate in 1981 and taking into account the other assumptions and bases adopted for the statement regarding the historical cost profits for the year ending 31st December, 1981 set out above, the Board expects that the current cost profit before taxation for the year ending 31st December, 1981 will be substantially better than that for the year ended 31st December, 1980 and that the cost of dividends indicated below in respect of the year ending 31st December, 1981 will be covered by the current cost profit after taxation. As mentioned above, however, the current cost results are considerably more sensitive to changes in inflation levels than the historical cost profits; thus the assumption that inflation rates will abate in 1981 is of particular importance.

Dividends

It is expected that an interim dividend will normally be payable in November and a final dividend in the following May. The Board expects, in the absence of unforeseen circumstances, to recommend dividends in respect of the year ending 31st December, 1981 aggregating 7.8p per share net (equivalent to 11.143p per share gross at the current rate of United Kingdom advance corporation tax), of which it would expect to pay 3p per share net as an interim dividend. Dividends of this amount would cost £15.6 million in total (excluding advance corporation tax) and would provide a gross yield at the offer price of 7.43 per cent.

The Future

Military aircraft and Dynamics

British Aerospace's estimated order book for military aircraft business at 31st December, 1980 was £1,551 million, while that for the Dynamics Group was £1,345 million. Re-equipment programmes are continuing within the armed forces of the United Kingdom and other NATO countries to reflect the declared policy of NATO members to enhance their defence capability. In the Board's view, British Aerospace's range of military aircraft projects, including the Tornado, Jaguar, Harrier and Hawk, as well as the collaborative nature of a number of its projects, put it in a good position to achieve substantial orders in the years ahead from NATO members and other countries.

The Dynamics Group has a wide range of tactical guided missile projects, including established projects such as the Rapier, Sky Flash and Swingfire systems as well as a number of projects under development. The Board considers that the effectiveness and versatility of guided missiles in relation to their cost will continue to enhance the prospects for this part of the business. The Dynamics Group also has an established place in the competitive market for space systems.

The Board believes that the range of British Aerospace's military products and its wide experience in the development and production of such products provide a sound basis for achieving good financial results over the long term.

Civil aircraft

British Aerospace expects that world air traffic will continue to grow over the next decade. This growth, combined with the need for airlines to re-equip with more fuel-efficient aircraft, should enhance the prospects for British Aerospace's current range of civil aircraft projects. At 31st December, 1980 British Aerospace's estimated order book for civil aircraft projects (including orders received by British Aerospace Inc.) was £578 million.

The A300, A310 and BAe 146 projects will together have a material effect on British Aerospace's results for many years. The A300 and A310 have already achieved a strong position in their respective markets. For the reasons outlined under "Accounting Policies" in the Accountants' Report, it is likely that, for the foreseeable future, the transfer prices payable to British Aerospace for the A300 and A310 wing boxes and other components of United Kingdom origin supplied to Airbus Industrie will be less than the costs thereof. However, the Board considers that, overall, British Aerospace's participation in the present programmes of Airbus Industrie will be profitable although significant financial returns from these Airbus programmes cannot be expected before 1985. The Board believes that the BAe 146 project will also be profitable, although the financial results must be subject to the uncertainties inherent at this early stage of a new aircraft programme which is expected to extend over at least the next 15 years.

The effect on British Aerospace's profits of launching costs relating to the A310 and the BAe 146 will remain considerable for at least the next four years. The write-off of launching costs on a particular project in any year may be significantly affected by the Board's overall assessment of the project at the time. The Board's views from time to time on the future trends of inflation and exchange rates will remain a critical factor in its overall assessment of these and other projects.

The development of further civil aircraft projects by British Aerospace, including its participation in new Airbus Industrie projects, will be dependent on the Board's assessment of their profitability and the production, manpower and financial resources available at the time.

The decision that was taken in 1978 to increase and strengthen British Aerospace's involvement in the civil aircraft business has been referred to above. The Board believes that the sales prospects for the wide range of civil aircraft projects in which British Aerospace is involved are encouraging and that they provide a sound basis for good results during the 1980s and beyond.

General

In considering the profits earned by British Aerospace in any year it should be borne in mind that they are derived mainly from long term projects where profitability varies according to the different stages of the project. In the case of civil aircraft in particular, heavy costs are incurred at the early stages of a project, while significant profits can only be expected in later years. Its mixture of business reduces British Aerospace's dependence on any one sector and allows those sectors generating cash flow to help to finance other parts of the business; for example, the military business is currently helping to finance the new civil aircraft programmes. The prospects in the particular markets in which it operates, both civil and military, combined with its substantial resources and wide range of products, many of which are manufactured on a collaborative basis, put British Aerospace in a strong position.

Overall, the Board believes that the long term profit potential for British Aerospace is good.

Accountants' Report

Peat, Marwick, Mitchell & Co.,
1 Puddle Dock,
Blackfriars,
London EC4V 3PD.
4th February, 1981.

The Directors, British Aerospace Public Limited Company.

The Directors, Kleinwort, Benson Limited.

Gentlemen,

British Aerospace Public Limited Company (the "Company") was incorporated on 31st December, 1979 under the name "British Aerospace Limited". On 1st January, 1981 (the "vesting date") all the property, rights, liabilities and obligations of British Aerospace (the "Corporation") vested in the Company pursuant to the British Aerospace Act 1980, following which Ordinary Shares were issued to a nominee of the Secretary of State pursuant to section 3 of that Act. The Corporation was constituted by the Aircraft and Shipbuilding Industries Act 1977 and pursuant to its provisions the respective issued share capitals of British Aircraft Corporation (Holdings) Limited, Hawker Siddeley Aviation Limited, Hawker Siddeley Dynamics Limited and Scottish Aviation Limited (the "predecessor companies") vested in the Corporation on 29th April, 1977; on 1st January, 1978 the undertakings of these companies were acquired by the Corporation as part of an internal reorganisation.

Audited accounts have been prepared for the Company for the year ended 31st December, 1980, during which period the Company did not trade. Audited accounts were prepared for the Corporation for the period from 29th April, 1977 to 31st December, 1977, for the years ended 31st December, 1978 and 1979 and for the 24 weeks ended 14th June, 1980. The audited accounts of the predecessor companies were made up to 31st December in each year with the exception of British Aircraft Corporation (Holdings) Limited; until 1977 that company's accounts were made up for the 52 or 53 week period to the Saturday nearest to the end of the calendar year. All of these accounts have been prepared under the historical cost convention, adjusted for the revaluation of properties, and are subsequently referred to in this report as the "historical cost accounts". No audited accounts have been made up for the Corporation or any of its subsidiaries for any period subsequent to 14th June, 1980.

We have examined the historical cost accounts of the Corporation and its subsidiaries and of the predecessor companies and their subsidiaries for the periods relevant to this report. We have audited the accounts of the Corporation and of Hawker Siddeley Dynamics Limited for the periods relevant to this report and the accounts of the other predecessor companies and their subsidiaries for the years ended 31st December, 1978 and 1979 and the 24 weeks ended 14th June, 1980. The accounts of the other predecessor companies and their subsidiaries for the years 1975 to 1977 were audited by other firms.

We set out below under the general heading "Historical cost accounts" the summarised statements of profit and loss accounts, net assets and source and application of funds of the Corporation and its subsidiaries and of the predecessor companies and their subsidiaries. These have been prepared from audited accounts of the Corporation and its subsidiaries for the periods ended 31st December, 1977, 1978 and 1979 and 14th June, 1980 and from an aggregation of the audited accounts of the predecessor companies and their subsidiaries for 1975 and 1976 and are after making such adjustments as we consider appropriate. In particular, the summarised statements of profit and loss accounts have been adjusted to eliminate (i) interest paid on the Corporation's commencing debt to the National Loans Fund which was extinguished immediately before the vesting date, (ii) interest paid on that part of interest-bearing shareholders' loans to the predecessor companies subsequently refinanced by public dividend capital which was extinguished immediately before the vesting date, and (iii) dividends paid by the Corporation in respect of public dividend capital and by the predecessor companies to their former shareholders. In our opinion these statements, together with the notes thereon, give, under the historical cost convention described in the accounting policies, a true and fair view of the profits and source and application of funds for the periods stated and of the net assets of the Corporation and its subsidiaries at 14th June, 1980.

We have also examined abridged supplementary current cost accounts of the Corporation and its subsidiaries for the year ended 31st December, 1979 and for the 24 weeks ended 14th June, 1980, which have been prepared under the current cost convention in accordance with Statement of Standard Accounting Practice 16 ("SSAP 16"). We set out below, under the general heading "Current cost accounts", the summarised statements of profit and loss accounts and net assets prepared under the current cost convention after making the adjustments to the historical cost accounts set out above. In our opinion these statements have been properly prepared in accordance with the policies and methods set out in the notes and give the information required by SSAP 16.

The Company and its subsidiaries or, as the case may be, the Corporation and its subsidiaries or the predecessor companies and their subsidiaries are referred to in this report as "British Aerospace".

Historical cost accounts

Profit and loss accounts

	Accounting policy	Note	1975	1976	1977	1978	1979	24 weeks ended 14th June, 1980
			Years ended 31st December,					
			£000	£000	£000	£000	£000	£000
Sales		1	536,454	740,338	859,845	894,492	1,027,389	575,149
Cost of sales		2	492,748	683,259	789,039	826,133	950,348	539,926
Trading profit	(ii)		43,706	57,079	70,806	68,359	77,041	35,223
Launching costs	(v)	3	—	—	5,522	11,021	39,106	21,514
Profit before interest			43,706	57,079	65,084	57,338	37,935	13,709
Net interest receivable		4	688	1,487	1,509	8,597	11,780	7,086
			44,396	58,566	66,593	65,935	49,715	20,795
Share of profits of associated companies			215	135	143	326	555	495
Profit before taxation			44,611	58,701	66,736	66,261	50,270	21,290
Taxation	(vi)	5	24,120	26,109	34,316	33,258	6,543	377
Profit after taxation			20,491	32,592	32,420	33,003	43,727	20,913

Net assets

	Accounting policy	Note	14th June, 1980	
			£000	£000
Fixed assets	(iii)	6		264,128
Investments		7		1,711
Current assets				
Inventories	(viii)	8	422,783	
Debtors		9	238,084	
Liquid assets		10	137,033	
			795,900	
Current liabilities				
Creditors			266,596	
Advances		11	118,383	
Provisions		12	67,870	
Taxation			28,812	
			470,720	
Net current assets				325,180
				591,019
Less: Loans		13	35,500	
Deferred taxation		14	62,522	
				98,022
Net assets				492,997

Source and application of funds

	1975	1976	1977	1978	1979	24 weeks ended 14th June, 1980
	Years ended 31st December,					
	£000	£000	£000	£000	£000	£000
SOURCE OF FUNDS:						
Funds generated from operations:						
Profit before taxation	44,611	58,701	66,736	66,261	50,270	21,290
Adjustments for items not involving the movement of funds:						
Depreciation	8,439	9,624	11,699	13,766	15,944	9,172
Other	(159)	(204)	68	299	(449)	(545)
	52,891	68,121	78,503	80,328	65,765	29,917
Funds from other sources:						
Disposal of fixed assets	230	344	173	1,063	709	386
Advance from National Loans Fund	—	—	—	—	—	22,000
Taxation recovered	—	451	3,934	—	—	—
	230	795	4,107	1,063	709	22,386
	53,121	68,916	82,610	81,379	66,474	52,503
APPLICATION OF FUNDS:						
Increase/(decrease) in working capital:						
Inventories	38,980	47,081	7,807	58,430	84,252	48,467
Debtors	5,819	3,192	50	41,587	39,898	38,371
Creditors	757	6,824	(18,488)	(51,377)	(38,368)	(50,231)
Advances	(10,270)	(6,064)	(5,929)	(13,077)	(11,105)	9,556
Provisions	885	(4,916)	(11,723)	(10,347)	(4,933)	(12,284)
	34,171	46,216	(28,283)	(16,804)	65,344	31,656
Other applications:						
Purchase of fixed assets	11,123	13,077	18,004	28,649	40,451	18,856
Investment	—	29	330	—	—	30
Repayment of loans	—	—	900	1,800	1,800	—
Taxation	15,091	6,474	10,065	10,677	31,212	450
	26,214	19,580	29,299	41,326	73,463	19,336
Adjustments relating to previous capital structure: (see Note below)						
Loans repaid to/(received from) former shareholders	(13,862)	(16,869)	53,050	—	—	—
Advance from National Loans Fund	—	—	(18,000)	—	—	—
Public dividend capital	—	—	(27,000)	—	(83,000)	—
Interest on loans from former shareholders	663	696	233	—	—	—
Interest on commencing capital	—	—	3,950	5,837	5,837	(7,114)
Dividends to former shareholders	338	10,328	16,562	—	—	—
Dividends on public dividend capital	—	—	—	1,350	2,025	2,160
	(12,861)	(5,845)	27,795	7,187	(75,138)	(4,954)
Increase in liquid assets	5,597	8,965	53,798	49,670	1,305	6,463
	53,121	68,916	82,610	81,379	66,474	52,503

Note: Loans to predecessor companies from former shareholders amounting to £53,050,000, part of which was interest free, were repaid in 1977 and partly refinanced by £27,000,000 of public dividend capital which was extinguished immediately before the vesting date and by an advance of £18,000,000 from the National Loans Fund, the balance of which continues as a liability of British Aerospace. British Aerospace received public dividend capital of £83,000,000 in 1979 which was extinguished immediately before the vesting date.

Accounting policies

The summarised statements of profit and loss accounts, net assets and source and application of funds have been prepared in accordance with the following principal accounting policies applied consistently throughout the period covered by this report. The statements have been prepared as though the capital structure of British Aerospace throughout the period had been that of the Company after the vesting date but before the subscription of £100 million additional equity capital.

(i) Accounting convention
The accounts are drawn up under the historical cost convention adjusted for the revaluation of properties and in accordance with the relevant statements of standard accounting practice.

(ii) Trading profit
Trading profit is taken at the time of sale; in the case of contracts with extended delivery programmes, it is arrived at by reference to the estimated overall contract profitability. Full provision is made for any losses in the year in which they are first foreseen.

(iii) Depreciation
Depreciation is provided on a straight line basis on the cost or valuation of all fixed assets, except freehold land.

Buildings are written off over 25 years or, if leasehold and the term of the lease is shorter than 25 years, such shorter term. Buildings erected specifically and exclusively for a research or production programme are written off over the expected life of the programme. Plant and equipment is generally written off over eight years.

The rates and bases, which prior to 1979 differed slightly as between one former operating subsidiary and another, were aligned in 1979. Prior years' depreciation was not restated as the differences were not material. In preparing the abridged supplementary current cost accounts, British Aerospace reviewed the depreciation policy and longer asset lives were adopted. Although the longer lives may more fairly reflect the expected useful lives of the assets, British Aerospace considers that it is prudent to maintain the existing rates in the historical cost accounts. The effect of changing the rates to correspond with those used for current cost purposes would not be material.

(iv) Research and continuing development
Expenditure on research and continuing development, other than that on buildings or specifically recoverable under contract, is written off as incurred and charged in arriving at trading profit.

(v) Launching costs
The expenditure incurred in launching a new civil aircraft project falls into three principal categories: design and development, jigs and tools, and education.

Design and development arises mainly in the early years of a project and is written off as incurred.

Expenditure on jigs and tools is normally incurred once the decision to manufacture has been taken.

Education arises early in the production cycle of a new aircraft when project skills and expertise are being acquired and unit costs are therefore high. It thus comprises the excess of such unit production costs over the level of unit costs anticipated at a more advanced stage of the production programme.

Expenditure on jigs and tools and education is carried forward in inventories for amortisation in respect of each project by reference to an appropriate assessment of sales (the "pool"), subject to the status of the project and the overriding concept of financial prudence.

British Aerospace is currently involved in two new major civil aircraft projects, the BAe 146 and the Airbus A310. At this stage of the BAe 146 project, 50 per cent. of expenditure on jigs and tools and education incurred in the 24 weeks ended 14th June, 1980 has been carried forward in accordance with the above policy, all other expenditure to that date having been written off. In the case of the A310, in view of the level of orders already received, all expenditure on jigs and tools and education has been carried forward.

Once deliveries commence, the size of the pool for each project will be determined and thereafter will be kept under review in the light of sales expectations.

(vi) Taxation
The charge for taxation comprises United Kingdom corporation tax, taxation on the profits of overseas subsidiaries at the relevant local rates and deferred taxation. Provision for deferred taxation is made only where a liability is likely to arise in the foreseeable future.

(vii) Airbus Industrie
Since 1st January, 1979 British Aerospace has had a 20 per cent. interest in Airbus Industrie, a Groupement d'Intérêt Economique. Since British Aerospace's participation in Airbus Industrie relates to particular Airbus production programmes which are effectively carried out on a joint venture basis, amounts relating to the participation are carried forward in inventories.

As a member of Airbus Industrie, British Aerospace participates in the Airbus A300 and A310 civil aircraft programmes, being responsible for the overall design of the wings, the production of wing boxes and the purchase of certain components from other United Kingdom manufacturers. The total amounts attributable to this participation are:

(a) amounts for production of wing boxes and for the components referred to above (the "transfer prices");
(b) fixed amounts in respect of an agreed number of aircraft sold, which are intended to reimburse expenditure on design and development and tooling (the "fixed amounts"); and
(c) British Aerospace's share of the overall results of Airbus Industrie. Profits and losses are shared in proportion to members' interests except that, until the accumulated losses incurred since the first production phase of the A300 have been fully recovered by profits, each member's participation in profits is calculated in proportion to the accumulated losses that it has borne.

In the case of the A300 programme, the transfer prices are calculated in dollars by reference to base prices which are escalated in accordance with United States inflation indices. In the case of the A310 programme, it is intended to follow a similar formula but the base prices have not yet been determined. On the basis of present exchange rates and assuming no differential between the relevant United States and United Kingdom inflation rates, it is likely that the transfer prices will fall short of the production costs of these programmes (including all relevant overhead expenses) for which British Aerospace is responsible. However, to the extent that there is a benefit to the results of Airbus Industrie, there is a corresponding benefit to members' individual shares of those results.

Having regard to sales of and orders received for the A300 and A310 aircraft by Airbus Industrie and expectations for the future, British Aerospace considers that, overall, its participation in the present programmes of Airbus Industrie will be profitable.

In assessing the realisable value of work undertaken by British Aerospace for Airbus Industrie, and whether any provisions are required in respect of work to be undertaken, account is taken of the relevant transfer prices and fixed amounts, together with the profits or losses accruing in Airbus Industrie in relation to that work.

Profits are taken in respect of British Aerospace's overall participation in Airbus Industrie only when such profits have been realised, that is after taking account of the profit sharing arrangements outlined in (c) above. Full provision is made for British Aerospace's share of any losses incurred by Airbus Industrie when such losses arise.

(viii) Inventories
Stocks and work in progress are valued at the lower of cost (including all relevant overhead expenditure) and net realisable value, less progress payments.

Inventories also include British Aerospace's interest in Airbus Industrie and the amounts of launching costs carried forward in accordance with these accounting policies.

(ix) Exchange rates
Transactions in overseas currencies are converted into sterling at the rates then ruling and assets and liabilities at the balance sheet date are translated into sterling at the rates then ruling. The resulting gains or losses are taken into account in arriving at the trading profit or, where appropriate, are credited or charged to a contract.

Differences on translation of the opening net assets of overseas subsidiaries at the rates ruling at the balance sheet date are taken into account in arriving at the trading profit.

Notes

1. Sales
Sales represented the net value of deliveries made, work completed or services rendered and included adjustments arising from the use of estimated selling prices in previous years.

Export sales, which included sales to overseas associates under collaborative contracts, some of which related to development work on products delivered to the United Kingdom, were as follows:

1975	1976	1977	1978	1979	24 weeks ended 14th June, 1980
Years ended 31st December,					
£000	£000	£000	£000	£000	£000
283,991	360,544	532,802	488,024	557,926	310,452

2. Cost of sales
Cost of sales was stated after charging or crediting:

	1975	1976	1977	1978	1979	24 weeks ended 14th June, 1980
	Years ended 31st December,					
	£000	£000	£000	£000	£000	£000
Depreciation	8,439	9,624	11,699	13,766	15,944	9,172
Income from listed investments	75	42	49	90	81	68

3. Launching costs
Launching costs written off were:

	1975	1976	1977	1978	1979	24 weeks ended 14th June, 1980
	Years ended 31st December,					
	£000	£000	£000	£000	£000	£000
BAe 146	—	—	5,522	9,861	32,682	15,609
Airbus A310	—	—	—	1,160	6,424	5,905
	—	—	5,522	11,021	39,106	21,514

4. Net interest receivable

	1975	1976	1977	1978	1979	24 weeks ended 14th June, 1980
	Years ended 31st December,					
	£000	£000	£000	£000	£000	£000
Interest receivable	5,585	7,235	7,437	9,929	11,957	7,205
Income from Government securities	—	—	—	575	1,654	1,534
	5,585	7,235	7,437	10,504	13,611	8,739
Interest payable:						
National Loans Fund	—	—	1,172	1,636	1,459	1,340
Loans from former shareholders	2,461	2,476	1,183	—	—	—
Bank loans and overdrafts	2,436	3,272	3,573	271	372	313
	4,897	5,748	5,928	1,907	1,831	1,653
	688	1,487	1,509	8,597	11,780	7,086

Interest has been restated as if the capital structure of British Aerospace throughout the period had been that of the Company after the vesting date but before the introduction of additional equity capital. No account has thus been taken of interest paid on the commencing debt to the National Loans Fund which was extinguished immediately before the vesting date nor of interest paid on that part of interest bearing shareholders' loans to the predecessor companies subsequently refinanced by public dividend capital which was extinguished immediately before the vesting date.

5. Taxation

	1975	1976	1977	1978	1979	24 weeks ended 14th June, 1980
	Years ended 31st December,					
	£000	£000	£000	£000	£000	£000
UK Corporation tax at 52 per cent.	5,067	14,700	31,268	22,025	(12,824)	88
Double taxation relief	(79)	(135)	(200)	(62)	—	—
Overseas taxation	145	326	442	561	1,049	67
Associated companies	124	83	95	194	253	196
	5,257	14,974	31,605	22,718	(11,522)	351
Deferred taxation	18,265	15,587	2,711	10,581	37,682	177
	23,522	30,561	34,316	33,299	26,160	528
Prior year adjustments:						
Release of deferred taxation for stock appreciation relief in 1973 and 1974	—	—	—	—	(19,770)	—
Other	598	(4,452)	—	(41)	153	(151)
	24,120	26,109	34,316	33,258	6,543	377
The amounts by which the charge for taxation has been reduced by taxation relief for which no deferred taxation has been provided were as follows:	447	471	1,009	1,528	968	10,347

Up to 31st December, 1979, because of uncertainty regarding future levels of inventories and investment in plant and equipment, full provision was made for deferred taxation in respect of stock appreciation relief and capital allowances. No further provision in respect of these items has been made in the accounts for the 24 weeks ended 14th June, 1980 as British Aerospace considers that the amounts provided are sufficient to cover any foreseeable balancing charge or clawback in view of the forecast levels of capital expenditure and of inventories and permanent deferment of stock appreciation relief.

6. Fixed assets

	Cost or valuation	Accumulated depreciation	Net book value
	£000	£000	£000
Freehold properties	151,441	1,923	149,518
Long leasehold properties	10,560	195	10,365
Short leasehold properties	38,032	1,158	36,874
Plant and equipment	171,620	104,249	67,371
	371,653	107,525	264,128

Messrs. Fuller Peiser, Chartered Surveyors, and Messrs. Gerald Eve & Co., Chartered Surveyors, carried out a joint valuation of British Aerospace's United Kingdom land and buildings, on an open market existing use basis (by reference, in the case of certain properties or parts of properties of a specialist nature, to their depreciated replacement cost), as at 31st December, 1979. This valuation, amounting to £197,419,400 in total, was taken up in the accounts with effect from 1st January, 1980. No deferred taxation was provided in respect of the tax liability of £45,655,000 which would arise on the sale of the properties at those valuations as it is British Aerospace's present intention to continue to use the properties for the purposes of its trade for the foreseeable future.

At 14th June, 1980 British Aerospace had capital commitments of £46,132,000, of which £15,713,000 had not been contracted for.

7. Investments

	£000
Associated companies:	
Shares at cost	592
Attributable reserves	251
	843
Trade investments:	
Listed (at market value)	838
Unlisted (at valuation by British Aerospace)	30
	1,711

8. Inventories

	A310	BAe 146	
			£000
Stocks of raw materials and components			84,719
Work in progress			883,412
Airbus Industrie work in progress and participation			78,417
	£000	£000	
Unamortised launching costs:			
Jigs and tools	6,824	5,193	12,017
Education costs	—	1,724	1,724
			1,038,289
Less: Progress payments			614,506
			423,783

Inventories included amounts relating to civil aircraft programmes with long production cycles, which are expected to be realised over a number of years.

9. Long term debtors
Debtors included £758,000, net of provisions, receivable more than one year after 14th June, 1980.

10. Liquid assets

	£000	£000
Government securities at cost (market value £28,820,000)		28,024
Local authority bonds and mortgages		16,950
Certificates of tax deposit		5,112
Short term deposits		88,623
Bank balances		20,957
		159,666
Less: Bank loans and overdrafts	14,133	
Other short term loans	8,500	
		22,633
		137,033

11. Advances
Advances represented deposits received in advance of work carried out and are set off against work in progress as costs are incurred.

12. Provisions
Provisions have been established to cover known and anticipated liabilities for after sales service, product warranties, potential contract losses and possible liabilities under recourse agreements.

13. Loans
Loans consisted of advances from the National Loans Fund made by the Secretary of State for Industry under section 12 of the Aircraft and Shipbuilding Industries Act 1977 as follows:

Date of advance	Amount advanced	Interest per annum	Half yearly repayment instalments	Date of final instalment	Amount outstanding
	£000		£000		£000
3rd May, 1977	18,000	9⅞%	900	15th June, 1987	13,500
28th March, 1980	22,000	15¾%	1,100	15th June, 1990	22,000
					35,500

14. Deferred taxation
The amount provided for deferred taxation in the statement of net assets and the full potential liability at 14th June, 1980 were as follows:

	Amount provided		Full potential liability	
	£000	£000	£000	£000
Stock appreciation relief		76,999		100,227
Capital allowances on plant and machinery		29,048		37,850
Industrial buildings allowances		—		9,013
Unrealised gains on revalued fixed assets		—		45,655
		106,047		192,745
Less: Advance corporation tax	1,794		1,794	
Unrelieved losses	777		12,245	
Other items	40,954		50,594	
		43,525		64,633
		62,522		128,112

Since 14th June, 1980 the Inland Revenue has issued a consultative document regarding stock appreciation relief. In the event that the proposals contained in the consultative document are enacted in substantially the form proposed, it is anticipated that no provision will be needed for deferred taxation. Pending enactment of the relevant legislation the amounts provided are being retained.

15. Contingent liabilities
British Aerospace has, with other companies, given joint and several indemnities, with liability limited in the aggregate to some £24 million, in connection with overseas collaborative contracts. Each party will indemnify the others where a liability arises due to its default.

Contingent liabilities exist in respect of guarantees and in respect of the residual credit risk on supplier credit agreements entered into under Export Credits Guarantee Department arrangements. However, these are part of, and have arisen in, the ordinary course of business and, in the opinion of British Aerospace, the possibility of significant loss is remote.

In addition, contingent liabilities exist in respect of claims arising out of incidents involving products, although in the opinion of British Aerospace no loss is likely to be incurred as a result of these claims.

As a member of Groupements d'Intérêt Economique ("GIEs"), British Aerospace is jointly and severally liable with the other members to third parties for the debts and obligations of those GIEs, subject to recourse amongst the members in accordance with the terms of the membership agreements.

16. Pension scheme
An actuarial valuation of the British Aerospace Pension Scheme as at 6th April, 1978 showed that accrued liabilities were adequately funded both on a discontinuance basis and also on an accrued current rights basis. However, there was, as anticipated, a deficiency on the higher funding target adopted by the trustees and agreed by the Board. This deficiency is being progressively reduced by the contributions being paid which are at the rate recommended by the actuary.

17. Insurance claim
On 27th January, 1980, one of British Aerospace's stores of civil aircraft spares, at Weybridge, was destroyed by fire. The claim upon insurers, which had not been fully determined by 14th June, 1980, has been settled since then. On 27th August, 1980, an amount of £70 million was received in full and final settlement of British Aerospace's claim for material damage and consequential loss. No amount has been included in respect of this settlement in the accounts for the 24 weeks ended 14th June, 1980.

Programmes for manufacturing replacement spares for those destroyed by the fire are under review in the light of potential requirements by customers. Some of the spares belonged to the Ministry of Defence which is currently negotiating with British Aerospace the amount payable to the Ministry of Defence. British Aerospace does not expect to suffer any financial loss or significant adverse effect upon its business in consequence of the fire.

18. Share capital and reserves
The Company was incorporated on 31st December, 1979 and at 14th June, 1980 and at 31st December, 1980 it had an issued share capital of seven Ordinary Shares of £1 each. Up to the vesting date the Company did not trade.

On the basis of the net assets at 14th June, 1980, adjusted to reflect the recent capitalisation issue and the subscription of £100 million of additional equity capital, the capital structure of British Aerospace would have been as follows:

	£000	£000
Issued share capital		
Ordinary Shares of 50p each (fully paid)		100,000
Reserves		
Share premium account	65,517	
Statutory reserve	202,083	
Other undistributable reserves	114,137	
Distributable reserves	110,110	491,847
Total share capital and reserves		591,847
Represented by:		
Net assets		492,997
Net proceeds of additional equity capital		98,850
		591,847

The statutory reserve is arrived at in accordance with the provisions of the British Aerospace Act 1980. The distributable reserves of the Company at the vesting date comprised the revenue reserves of the Corporation at that date and, for the purposes of the table above, are shown at the amount included in the Corporation's accounts at 14th June, 1980.

19. Post balance sheet event
Before the vesting date, the Corporation agreed to pay a dividend of £9,625,000 (in respect of which advance corporation tax will be payable) to HM Government on the public dividend capital of the Corporation in respect of the year ended 31st December, 1980 and this amount will be paid by the Company. This dividend was computed as a net dividend of 8¾ per cent. on public dividend capital of £110 million.

Current cost accounts

Profit and loss accounts

	Note	Year ended 31st December, 1979	24 weeks ended 14th June, 1980
		£ million	£ million
Sales		1,027.4	575.1
Profit before interest and taxation under the historical cost convention (including share of profits of associated companies)		38.5	14.2
Current cost operating adjustments		26.0	20.4
Current cost operating profit/(loss)		12.5	(6.2)
Net interest receivable		11.8	7.1
Current cost profit before taxation		24.3	0.9
Taxation		6.5	0.4
Current cost profit after taxation		17.8	0.5

BRITISH AEROSPACE
PUBLIC LIMITED COMPANY

OFFER FOR SALE

Net assets

	Note	14th June, 1980	
		£ million	£ million
Fixed assets and investments	2		342.5
Net current assets			
Working capital	3	216.7	
Liquid assets		137.0	
Taxation		(28.5)	
			325.2
			667.7
Less: Loans		35.5	
Deferred taxation		62.5	
			98.0
Net assets			569.7

Accounting policies

The summarised profit and loss accounts and statement of net assets have been prepared under the current cost convention in accordance with SSAP 16 using the same accounting policies as for the historical cost accounts, except that longer expected useful lives have been assumed for most fixed assets as described in (ii) below.

(i) Definitions

(a) "Current cost operating profit/(loss)" is the surplus/deficit before interest and taxation arising from the ordinary activities of the business. It is arrived at by making adjustments to the profit determined under the historical cost accounting convention (those adjustments being described in (ii) and (iii) below) in order to allow for the impact of specific price changes on the funds needed to maintain the net operating assets of the business, but does not take into account the way in which these assets are financed. Net operating assets comprise fixed assets, investments and working capital.

(b) "Current cost profit before taxation" is the surplus after allowing for the impact of specific price changes on the funds needed to maintain only the shareholders' proportion of the net operating assets. It is arrived at after crediting net interest receivable, no gearing adjustment has been required as average liquid assets have exceeded average borrowings.

(ii) Fixed assets and the depreciation adjustment

The gross current cost of fixed assets has been derived as follows:

(a) land and buildings, on the basis of a professional valuation on an open market existing use basis at 31st December, 1979 with subsequent changes estimated by British Aerospace using appropriate government indices; and

(b) plant and equipment, by applying appropriate government indices to the historical costs.

Total depreciation charged in the current cost profit and loss account is calculated to reflect the proportion of the current cost of fixed assets consumed in the period. For this purpose longer asset lives than those adopted in the historical cost accounts have been used; in particular, plant and equipment has generally been written off on a straight line basis over twelve years as compared with eight years in the historical cost accounts.

(iii) Working capital adjustment

In order to allow for the impact of price changes on inventories and monetary working capital items, a working capital adjustment is made to the operating costs calculated on the historical cost basis using appropriate government indices. Monetary working capital items comprise creditors, provisions and advances from customers, less trade debtors.

Inventories have been included in the current cost balance sheet at the same amount as in the historical cost accounts, as this is not considered to differ materially from their value to the business.

Notes

1. Current cost operating adjustments

	Year ended 31st December, 1979	24 weeks ended 14th June, 1980
	£ million	£ million
Working capital	20.0	18.0
Depreciation	6.0	2.4
	26.0	20.4

2. Fixed assets and investments

	£ million
Fixed assets (net book value)	
Land and buildings	221.8
Plant and equipment	119.0
	340.8
Investments	1.7
	342.5

3. Working capital

	£ million
Inventories	423.8
Debtors	235.1
Creditors	(255.9)
Provisions	(68.0)
Advances	(118.3)
	216.7

4. Financing of the net operating assets

The value to the business of the net operating assets and the method by which they were financed are as follows:

	Note	31st December, 1979	14th June, 1980
		£ million	£ million
Net operating assets			
Fixed assets and investments		304.4	342.5
Working capital		185.1	216.7
		489.5	559.2
Shareholders' interest			
Current cost reserve	5	175.4	123.1
Share capital and reserves			
per historical cost accounts		$\boxed{360.8}$	$\boxed{493.0}$
cumulative current cost operating adjustments		$\boxed{(26.0)}$	$\boxed{(46.4)}$
		240.8	440.6
Proposed dividend		2.2	—
		512.4	563.7
Net borrowings/(net liquid funds)			
Loans		12.5	35.5
Deferred taxation		62.7	62.5
Taxation		25.5	28.5
Liquid assets		(123.6)	(137.0)
		(23.0)	(10.5)

5. Movement in current cost reserve

	£ million
Opening balance	175.4
[illegible] price changes	30.9
[illegible] transferred from historical cost accounts	(101.2)
Working capital adjustment	18.0
Closing balance	123.1
of which realised	46.4
unrealised	76.7

[illegible]

Yours faithfully,
PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Appendix I

Schedule of properties and principal activities

[illegible]

Description and location	Tenure	Approximate site area (acres)	Approximate covered floor area (000's sq. ft.)	Principal activities
COMPANY Headquarters [illegible]	[illegible]			Corporate administration
[illegible]	[illegible]	—	3	Offices and conference facilities
AIRCRAFT GROUP Headquarters [illegible]	[illegible]			Group administration
Warton Division Factory and airfield [illegible]	[illegible]	[illegible]	[illegible]	Research and development, final assembly and flight testing of Tornado and Jaguar, and Saudi Arabia support
Factory [illegible]	[illegible]	[illegible]	540	Parts manufacturing for Tornado and Jaguar
Factory and airfield [illegible]	Freehold	[illegible]	[illegible]	Sub-assemblies of Tornado, Canberra refurbishing and [illegible]
Kingston-Brough Division Factory [illegible]	Freehold	[illegible]	[illegible]	Production of Hawk and Harrier
Factory and airfield Brough, [illegible]	Freehold	[illegible]	[illegible]	Parts manufacturing and sub-assemblies of Hawk and Harrier
Factory, airfield and agricultural land Bitteswell Aerodrome, Lutterworth, Leicestershire	Freehold	582	504	Repairs
Factory and sportsground Kings Avenue, Hamble, Hampshire	Freehold	57	469	Sub-assemblies for Hawk
Factory and airfield Dunsfold Aerodrome, Godalming, Surrey	Freehold	513	304	Final assembly of Hawk and Harrier and flight testing
Factory and airfield Holme-on-Spalding Moor, North Humberside	Freehold	478	285	Repairs
Manchester Division Factory Greengate, Middleton, Chadderton, Greater Manchester	Freehold	47	1,373	Parts manufacturing for HS 748 and Nimrod
Factory and airfield Woodford Aerodrome, Woodford, Cheshire	Freehold	450	1,084	Final assembly of HS 748, Nimrod conversion and flight testing
Weybridge-Bristol Division Factory Brooklands Road, Weybridge, Surrey	Freehold	132	1,906	Parts manufacturing and sub-assemblies for civil aircraft projects
Factory and airfield Filton, Bristol	Freehold (Approximately 57 acres being subject to lease and leaseback for a term of 35 years from 1st January, 1958 at a current rent of £101,025 per annum, subject to variation, with an option to renew at the end of the term)	581	1,831	Parts manufacturing and sub-assemblies for civil and military aircraft projects
Factory Bournemouth (Hurn) Airport, Christchurch, Dorset	Leasehold for a term of 7 years from 24th June, 1976 at a current rent of £172,731 per annum	51	820	Assembly and flight testing of BAC One-Eleven
Hatfield-Chester Division Factory, airfield and sportsground Hatfield, Hertfordshire	Freehold	866	1,581	Airbus wing design. Final assembly of BAe 146 and flight testing
Factory and airfield Broughton, Nr. Chester, Clwyd	Freehold	642	1,641	Production of HS 125 and Airbus wing
Scottish Division Factory Prestwick Airport, Ayrshire, Scotland	Leasehold for a term of 99 years from 1st January, 1954 at a rent of £5,666 per annum without review	70	827	Production of Jetstream and Bulldog
DYNAMICS GROUP Headquarters Six Hills Way, Stevenage, Hertfordshire	Included under Stevenage Division			Group administration
Hatfield Division Factory and sportsground Manor Road, Hatfield, Hertfordshire	Freehold	87	498	Research and development
Space and Communications Division Factory Stevenage "B" Site, Gunnels Wood Road Stevenage, Hertfordshire	Leasehold for a term of 99 years from 24th June, 1952 at a rent of £3,150 per annum without review	14	321	Research and development and production of space systems
Stevenage Division Factory Stevenage "A" Site, Six Hills Way, Stevenage, Hertfordshire	Leasehold; part for a term of 45 years from 5th November, 1958 at a rent of £156,644 per annum without review and part for a term of 45 years from 1st April, 1960 at a rent of £123,085 per annum without review	66	1,024	Research and development and production of missile systems
Bristol Division Factory Filton, Bristol	Included under Aircraft Group—Weybridge-Bristol Division			Research and development and production of missiles and space systems
Lostock Factory Factory Lostock Lane, Lostock, Bolton, Greater Manchester	Freehold	23	723	Production of missiles, propellers and other equipment

Appendix II

Profit estimates, statements and letters

1. Profit estimates and statements

Prior to the vesting on 1st January, 1981, the Company did not trade. The Company's statutory accounts for the year ended 31st December, 1980 will therefore be accompanied by a pro forma profit and loss account and balance sheet derived from the audited accounts of the Corporation on the bases set out in the Accountants' Report and, in particular, on the basis that the Company's capital structure immediately before this Offer for Sale had applied throughout 1980.

The profit estimates for the year ended 31st December, 1980, which appear under "Past Profits" above, are on a pro forma basis assuming that the Company's capital structure immediately before this Offer for Sale had applied throughout 1980. These profit estimates have been prepared on the assumption that, between the date of this Offer for Sale and the finalisation and audit of the accounts for that year:

(i) there will have been no significant adverse effects on any major projects arising from changes in economic or political circumstances in the United Kingdom or elsewhere,

(ii) there will have been no major technical problems arising in respect of products in development or in service, and

(iii) there will be no significant revision by the Department of Industry of certain indices which have been used by British Aerospace in the preparation of its estimate of the current cost results and which are provisional from May 1980.

The statements regarding the profits for the year ending 31st December, 1981 which appear under "Current Trading and Dividends" above are made on the assumption that:

(i) there will be no significant adverse effects on any major projects arising from changes in economic or political circumstances in the United Kingdom or elsewhere,

(ii) there will be no major technical problems arising in respect of products in development or in service,

(iii) there will be no major industrial disputes at British Aerospace which would result in significant changes to delivery programmes,

(iv) there will be no events, including major industrial disputes, involving partners in collaborative projects or suppliers which would result in significant changes to delivery programmes,

(v) there will be no significant change in the procurement requirements of the Ministry of Defence which have been indicated by it to British Aerospace nor in the expected requirements of overseas governments, particularly those governments of countries in which partners in collaborative projects with British Aerospace are situated,

(vi) the rate of exchange between the dollar and sterling will continue in 1981 at a rate not materially different from that at the end of January 1981,

(vii) inflation rates in the United Kingdom will abate in 1981, and

(viii) in relation to the overall assessment of the major civil aircraft projects, nothing will have occurred to change the Board's present view that, thereafter, there will be some improvement in the competitive position of sterling relative to the dollar, taking into account the rates of inflation in manufacturing costs in the United Kingdom and the United States.

2. Statements on launching costs for A310 and BAe 146

The following are the principal assumptions which have been adopted in preparing the statements regarding the estimated launching cost expenditure on the A310 and BAe 146 projects which appear under "Business—Civil aircraft" and "Current Trading and Dividends" above:

(i) there will be no significant modifications to, or changes in timing of, the planned development programmes,

(ii) there will be no industrial disputes at British Aerospace which would significantly delay or interrupt the programmes,

(iii) there will be no events, including major industrial disputes, involving any of the other companies participating in the A310 or BAe 146 programmes or at any of their or British Aerospace's subcontractors on those projects, which would significantly delay or interrupt the programmes,

(iv) there will be no technical or production problems which would impair the ability of British Aerospace to benefit from the reduction of costs arising from education during the production programmes,

(v) production programmes will be maintained at planned rates, and

(vi) inflation rates in the United Kingdom will abate over the period to 1983.

3. Letters

The following are copies of letters to the Directors of the Company relating to the profit estimates and statements regarding profits for the year ended 31st December, 1980 and the year ending 31st December, 1981 respectively:

(i) Letter from Peat, Marwick, Mitchell & Co:

The Directors,
British Aerospace Public Limited Company,
100 Pall Mall,
London SW1Y 5HR.

4th February, 1981

Gentlemen,

We have reviewed the accounting policies and calculations for (i) the estimates of trading profit before launching costs and interest, profit before taxation and profit after taxation under the historical cost convention and the estimate of profit before taxation under the current cost convention all for the year ended 31st December 1980 and (ii) the statements regarding profits under both the historical cost and current cost conventions for the year ending 31st December 1981 of British Aerospace (as defined in the Offer for Sale dated 4th February, 1981), for all of which the Directors are solely responsible, contained in the Offer for Sale.

The profit estimates for the year ended 31st December, 1980 have been presented on a pro forma basis as explained in paragraph 1 of Appendix II of the Offer for Sale and assume that the Company's capital structure immediately before the Offer for Sale had applied throughout 1980. The estimates for 1980 take account of the results disclosed by the audited accounts for the 24 weeks to 14th June, 1980.

In our opinion the profit estimates and statements regarding profits for the year ended 31st December, 1980 and the year ending 31st December, 1981 respectively, so far as the accounting policies and calculations are concerned, have been properly compiled on the footing of the assumptions made by the Board set out in Appendix II and are presented on a basis consistent with the accounting policies normally adopted by British Aerospace.

Yours faithfully,
PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

(ii) Letter from Kleinwort, Benson Limited:

The Directors,
British Aerospace Public Limited Company,
100 Pall Mall
London SW1Y 5HR.

4th February, 1981

Gentlemen,

We have discussed with you and with Peat, Marwick, Mitchell & Co. the profit estimates for the year ended 31st December, 1980 and the statements regarding profits for the year ending 31st December, 1981 of British Aerospace (as defined in the Offer for Sale dated 4th February, 1981), together with the assumptions on which they are based, set out in the Offer for Sale. We consider that these estimates and statements (for all of which the Directors are solely responsible) have been made after due and careful enquiry.

Yours faithfully,
for KLEINWORT, BENSON LIMITED,
T. G. BARKER
Director

Appendix III

Airbus Industrie

1. Constitution

Airbus Industrie ("AI") was registered on 23rd February, 1971 as a Groupement d'Intérêt Economique, a French form of partnership which has full legal personality and is not liable to tax on its profits unless its members so elect. Members of a Groupement d'Intérêt Economique are jointly and severally liable without limitation for all its debts and obligations to third parties.

The present members of AI (the "Members") and their respective interests ("membership rights") in AI are as follows: Société Nationale Industrielle Aérospatiale ("Aérospatiale") 37.9 per cent.; Deutsche Airbus GmbH ("Deutsche Airbus") 37.9 per cent.; British Aerospace 20.0 per cent.; and Construcciones Aeronáuticas S.A. ("C.A.S.A.") 4.2 per cent.

The constitution of AI is contained in the "Statuts" and the "Règlement Intérieur" by which the Members are bound. The object of AI is the overall control and co-ordination of the work relating to the A300 and A310 projects and their derivatives. The Members are jointly and severally liable to third parties without limitation for AI's debts and obligations, but as between Members such debts and obligations are to be borne in proportion to their respective membership rights. Where, however, a Member acts prejudicially to AI or its Members because it has not fulfilled, or has improperly fulfilled, the commitments it has made towards AI or its Members (for example, by not respecting agreed delivery dates), then, although not relieved from its obligation to fulfil such commitments, it will bear only 25 per cent. of any liability to third parties thereby incurred by AI or its Members and AI will bear the remaining 75 per cent., which will then be shared between all the Members in proportion to their respective membership rights. Where two or more Members are at fault, the 25 per cent. liability will be shared among such Members in proportion to their respective membership rights. A Member will be solely liable for any loss arising from its own gross negligence or wilful misconduct. There is a separate agreement relating, inter alia, to claims for infringement of industrial property rights (see 3 below). No Member may withdraw from AI before the latter's objects and obligations are fulfilled except by way of assignment of membership rights (whether to other existing Members or third parties) with the prior approval of all Members.

2. Management

The management of AI is exercised as follows:

(i) Members' Assembly

An ordinary meeting of the Members is held during the first six months of each financial year, inter alia, to approve the annual accounts for the previous year and to give a full discharge to the Administrateur-Gérant and the Supervisory Board (see below). In addition, extraordinary meetings may be held to vote on resolutions relating to amendments to the "Statuts", the admission of new Members and the premature dissolution of AI. Each Member is entitled to the number of votes corresponding to the proportion which his membership rights bear to the total membership rights represented at the meeting. Resolutions at an ordinary meeting require a majority of 81 per cent. of the votes cast but resolutions at an extraordinary meeting require unanimous approval.

(ii) Supervisory Board

The Supervisory Board exercises general control of the management of AI. Each Member may appoint the following number of representatives: Aérospatiale 6; Deutsche Airbus 6; British Aerospace 4; and C.A.S.A. 1.

Such representatives may not include the Administrateur-Gérant for the time being or the other members of the management of AI who work under his supervision.

All decisions of the Supervisory Board must be taken by a minimum 81 per cent. majority of its members. The members of the Supervisory Board are each appointed for a period of five years, although they may be replaced during their term of office by the Member which they represent.

The voting rules of the Members' Assembly and Supervisory Board ensure that no resolution can be passed by either of these bodies without the consent of each Member other than C.A.S.A., except that in the case of a meeting of the Supervisory Board adjourned for lack of a quorum a resolution may be passed at the resumed meeting by an 81 per cent. majority of those present, being not less than nine in number.

(iii) Administrateur-Gérant

The Administrateur-Gérant is appointed for a five year term by the Members' Assembly. Although he cannot be a member of the Supervisory Board, he participates in its meetings, assisted by the other members of the management of AI, as of right. He must submit annually both a budget and a "Plan d'Exercice" for the next following financial year to the Supervisory Board for their approval. The "Plan d'Exercice" extends over the expected lives of AI's projects. Generally, he has authority to carry out all executive acts on behalf of AI necessary for the achievement of its business aims, but he must keep the Supervisory Board regularly informed of events and is under a duty to obtain the Supervisory Board's prior approval on certain matters, for example launching new production programmes and undertaking commitments or risks outside the normal scope of AI's business.

The present Administrateur-Gérant, M. Bernard Lathière, was first appointed in 1975 and was reappointed for a further five-year term in 1980.

3. Financial Arrangements

British Aerospace became a Member of AI on 1st January, 1979 pursuant to an Agreement dated 29th November, 1978 (the "1978 Agreement") made between British Aerospace, Aérospatiale and Deutsche Airbus, under which British Aerospace paid $80 million on account of its share (20 per cent.) of the net assets of AI at 31st December, 1978. A further payment of around $25 million is due to be made by British Aerospace, for which provision has been made in the accounts of British Aerospace.

Under the 1978 Agreement, British Aerospace agreed to accept the general terms and conditions set out in the Industrial and Financial Agreements which had been entered into by Aérospatiale and Deutsche Airbus and the general terms and conditions of which had been accepted by C.A.S.A. The overall effect of these Agreements is as follows:

(i) Each Member has to finance the whole of the cost of goods and services (including its own) supplied from its country for the Airbus programmes. All other expenses of AI, including the cost of goods and services supplied from other countries, have to be financed by the Members in proportion to their respective membership rights. British Aerospace is thus responsible for financing the whole of the cost of goods and services emanating from the United Kingdom. However, the 1978 Agreement provided that the financing of Rolls-Royce engines, if ordered by AI, would be arranged separately. No arrangements have yet been agreed.

(ii) The books of AI are kept in dollars and United Kingdom supplies, in common with those from France, Germany and Spain, are priced in dollars by reference to a formula which is explained under "Accounting Policies" in the Accountants' Report. Discussions are taking place between Members on a possible revision of these arrangements.

(iii) Amounts received by AI from its customers are first applied in discharging liabilities of AI to suppliers based in countries for which no Member is directly responsible and in paying AI's own operating expenses and certain other items. Subject to (iv) below, any balance of receipts during a year is allocated to Members in accordance with a formula based on their supplies to AI of goods and services, actual and estimated, in the year in question and for the share of the Member concerned in the estimated profit or loss of AI, any over- or under-estimate being taken into account in subsequent calculations in relation to the formula.

(iv) A fixed sum of money in respect of each of an agreed number of A300 aircraft supplied by AI for which payment is received is applied towards reimbursement of the costs of design and development and tooling, but not education, incurred by each Member in respect of the A300 project. British Aerospace expects that similar arrangements will apply in respect of the A310.

(v) Profits and losses of AI are shared by the Members in proportion to their respective membership rights, save that, until the accumulated losses incurred since the beginning of the first production phase of the A300 have been fully recovered, profits are to be shared in proportion to the respective share of each Member in such losses.

(vi) AI can, within certain limits, contract external borrowings to cover its financial needs without reference to the Supervisory Board. The servicing of any borrowing, whether incurred with or without the prior approval of the Supervisory Board, is the responsibility of individual Members or of Members generally in accordance with the principles set out in (i) above, depending on the nature of the expenditure for which the borrowing was incurred.

(vii) British Aerospace, Aérospatiale and Deutsche Airbus have agreed with each other not to participate in any project which would conflict with any AI programme.

By an Agreement entered into in 1968 between Aérospatiale's predecessor in business, Deutsche Airbus and Hawker Siddeley Aviation, before British Aerospace became a Member of AI, it was provided in respect of the Airbus that each of the contractors was to have sole responsibility for dealing with claims by third parties for any infringement of industrial property rights in respect of items introduced by that contractor.

4. Inter-governmental Committee

The A300 programme is subject to an Inter-governmental Agreement between the French and German governments, entered into in 1969, to which the governments of The Netherlands (by reason of the financial support it gave to Fokker B.V., a sub-contractor to AI, for launching costs of the A300) and Spain subsequently acceded by means of further Inter-governmental Agreements. These Agreements set out the role of the governments of each country in relation to the A300 programme and established an Inter-governmental Committee, which is composed of official representatives of each country. The Inter-governmental Committee (and the associated Executive Committee) keeps each government informed on the technical, industrial, commercial and financial progress of the A300 programme and also ensures the implementation of the provisions of the Inter-governmental Agreements. Under Principles of Co-operation established between the governments of France, Germany and the United Kingdom in 1978, the United Kingdom has, from 1st January, 1979, been represented on the Inter-governmental Committee. The unanimous agreement of the representatives of France, Germany and the United Kingdom is required for all decisions of the Committee; the agreement of the representatives of The Netherlands and Spain is required on certain decisions directly affecting their interests.

Currently, the French, German, United Kingdom and Spanish governments are negotiating an Inter-governmental Agreement concerning the continuation of the A300 programme and the implementation of the A310 programme in accordance with the principles of the original Inter-governmental Agreement of 1969 relating to the A300 project adapted to take account of the United Kingdom's entry into the programme.

The French, German and Spanish governments have supported the development of the A300 and the A310 by providing finance to Aérospatiale, Deutsche Airbus and C.A.S.A. respectively. This financial support, together with the support of HM Government given to British Aerospace's participation as a full member of AI described under "Relationship with Government" above, means that, in practice, governmental agreement would be required for any significant new project development by AI, although this would not necessarily preclude the Members from undertaking developments financed from their own resources. The French, German, United Kingdom and Spanish governments support the sales financing arrangements for the Airbus programmes.

5. Members of AI other than British Aerospace

(i) Aérospatiale

Aérospatiale is a limited company (Société Anonyme) more than 99 per cent. of the share capital of which is owned (either directly or indirectly through an intermediate holding company) by the Republic of France. At 31st December, 1979 Aérospatiale had net assets of FF952 million.

(ii) Deutsche Airbus

Deutsche Airbus is a limited company (Gesellschaft mit beschränkter Haftung) the shareholders of which are Messerschmitt-Bölkow-Blohm GmbH ("MBB") (65 per cent.) and Vereinigte Flugtechnische Werke GmbH ("VFW") (35 per cent.). The accounts of Deutsche Airbus are not publicly available.

(iii) C.A.S.A.

C.A.S.A. is a limited company (Sociedad Anonima) the principal shareholders of which are the Kingdom of Spain (69.6 per cent.), Northrop Corporation of the United States (13.3 per cent.) and MBB (11.0 per cent.). At 31st December, 1979 C.A.S.A. had net assets of Pts. 2,909 million.

Appendix IV

General information

1. The Company

The Company was incorporated in England on 31st December, 1979 under the Companies Acts 1948 to 1976 as a private company limited by shares with an authorised share capital of £7, divided into seven shares of £1 each, all of which were subscribed at par by nominees of the Secretary of State for Industry. The registered number of the Company is 1470151.

On 1st January, 1981, pursuant to section 1 of the British Aerospace Act 1980, all the property, rights, liabilities and obligations of the Corporation vested in the Company.

On 2nd January, 1981, each of the existing Ordinary Shares was sub-divided into two Ordinary Shares of 50p each, and the authorised share capital of the Company was increased to £40,000,000 by the creation of 79,999,986 Ordinary Shares, which were all issued credited as fully paid to a nominee of the Secretary of State under section 3 of the British Aerospace Act 1980 (see paragraph 6(c) of this Appendix). On the same day the Company altered its Memorandum of Association, adopted new Articles of Association and was re-registered as a public limited company under section 5 of the Companies Act 1980.

By or pursuant to a Special Resolution of the Company passed on 3rd February, 1981 conditionally upon the Underwriting Agreement referred to in paragraph 7 of this Appendix being executed, becoming unconditional and not being terminated pursuant to the terms thereof:

(i) the authorised share capital was increased to £115,000,000 by the creation of 150,000,000 new Ordinary Shares;

(ii) 53,333,333 new Ordinary Shares were allotted credited as fully paid by way of capitalisation of part of the sum standing to the credit of the statutory reserve (see paragraph 6(c) of this Appendix); and

(iii) the Directors were generally and unconditionally authorised, pursuant to section 14 of the Companies Act 1980, to allot all existing relevant securities (such authority to expire on 2nd February, 1986, unless previously revoked or varied by the Company in General Meeting) and the Directors were given power to allot equity securities pursuant to that authority as if section 17(1) of the Companies Act 1980 did not apply to the allotment.

On the same day the Secretary of State conditionally agreed to subscribe for 66,666,667 further Ordinary Shares at a price of 150p per Ordinary Share.

Immediately following completion of this Offer for Sale the authorised share capital of the Company will accordingly be £115,000,000 divided into 230,000,000 Ordinary Shares and the issued share capital will consist of 200,000,000 Ordinary Shares.

2. Articles of Association

The new Articles of Association of the Company referred to above contain, inter alia, provisions to the following effect:

(a) Voting

Subject to any special rights or restrictions as to voting attached to any shares or class of shares, including the provisions referred to in (d) (vii) below, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every 50p in nominal amount of shares of which he is the holder.

(b) Directors

(i) The Directors (and their alternates) shall be citizens of the United Kingdom and Colonies within the meaning of the British Nationality Act 1948 and shall not be required to hold any qualification shares.

(ii) The Secretary of State for Industry or his successor shall have the right to appoint from time to time not more than two Directors ("Government Directors") and may remove the same and appoint others in their place and also appoint alternates for the same.

The Government Directors (and their alternates) shall not hold any executive office or the office of Chairman or Deputy Chairman and shall not be subject to retirement by rotation.

The Government Directors (or their alternates) shall not vote on, or be counted in the quorum at any meeting in relation to, any issue relating to a contract (other than for the purpose only of providing any guarantee or indemnity) made or proposed to be made to which the Company is a party and the Crown or any person on behalf of the Crown or a company of which the share capital is wholly owned by or on behalf of the Crown is also a party.

(iii) Each Director shall be entitled to receive remuneration for his services at such rate, not exceeding £10,000 per annum, as the Directors may from time to time determine.

Any Director who holds any executive office (including for this purpose the office of Chairman or Deputy Chairman, whether or not such office is held in an executive capacity) or who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.

The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise in or about the business of the Company.

The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director or ex-Director and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

(iv) Save as provided in the Articles of Association, a Director may be a party to or in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of auditor of the Company or any subsidiary thereof) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefor and in any such case as aforesaid (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

Save as otherwise provided, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. The Company may, subject to the provisions of the Companies Acts, by Ordinary Resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention thereof.

(v) The provisions of section 185 of the Companies Act 1948 (relating to the appointment and retirement as Directors of persons who are aged 70 or more) shall apply to all the Directors of the Company and the office of a Director shall be vacated, inter alia, if he shall cease to be a citizen of the United Kingdom and Colonies.

(vi) At each Annual General Meeting one third of the Directors, other than Government Directors, for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one third) shall retire from office by rotation.

(c) Borrowing Powers

(i) The Directors may, subject to the provisions of the Companies Acts, exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(ii) The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary companies (if any) so as to secure (so far as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all money borrowed by the Company and its subsidiaries for the time being and for the time being owing to persons other than the Company and its wholly owned subsidiaries, computed as provided in the Articles of Association, shall not, without the previous sanction of an Ordinary Resolution of the Company, at any time prior to the conclusion of the Annual General Meeting of the Company in the calendar year 1982 exceed £450 million and at any time thereafter exceed an amount equal to the greater of (a) one and one half times the Adjusted Capital and Reserves (as that expression is defined in the Articles of Association) and (b) £450 million.

(d) United Kingdom Control

(i) It is a cardinal principle that the Company should be and remain under United Kingdom control and for such purpose the Articles of Association contain restrictions on the holding of shares in the capital of the Company and provisions for the compulsory disposal of such shares.

(ii) For the purposes of these provisions:

"Corporation under Foreign Control" means any corporation (other than a Foreign Corporation):

(a) of which one third or more of the directors (or persons occupying the position of directors by whatever name called) are Foreigners or Foreign Corporations or are accustomed to act in accordance with the suggestions, instructions or directions of Foreigners or Foreign Corporations; or

(b) of which shares carrying more than thirty per cent. of the votes which are ordinarily eligible to be cast on a poll at General Meetings of the corporation are for the time being held by Foreigners or Foreign Corporations;

"Excess Foreign-held Share" means any Foreign-held Share of which particulars are entered in the separate register maintained by the Directors pursuant to paragraph (iv) below and which the Directors decide is a Foreign-held Share in excess of the Permitted Maximum as defined in the said paragraph (iv);

"Foreign Corporation" means:

(a) any corporation other than a corporation which is incorporated under the laws of any part of, and which has its principal place of business and central management and control in, the United Kingdom; or

(b) a government or government department or government agency or body other than of the United Kingdom or any part thereof; or

(c) any municipal, local, statutory or other authority or any undertaking or body established in any country other than the United Kingdom;

"Foreigner" means any individual who is not a citizen of the United Kingdom and Colonies by virtue of the British Nationality Act 1948;

"Foreign-held Share" means any Share (other than a Qualifying Share) of which any Owner is a Foreigner, Foreign Corporation or Corporation under Foreign Control;

"Owner", in relation to any Share, means:

(a) any person who holds, whether alone or jointly with any other person, any Share; or

(b) any person on whose behalf any Share is, directly or indirectly, held, or with or to whom any holder of any Share has agreed or committed himself or become obliged (whether or not in a manner which is legally binding) to exercise or to refrain from exercising voting rights attaching thereto in accordance with that person's suggestions, instructions or directions;

"Qualifying Share" means any share in the capital of the Company which is at the material time held by, or by a nominee or custodian trustee for, the trustees of:

(a) any retirement benefits scheme for the employees of a business or undertaking carried on (wholly or mainly) in the United Kingdom otherwise than by a Foreigner or Foreign Corporation which is, or is treated by the Commissioners of Inland Revenue as, an exempt approved scheme for the purposes of the Finance Act 1970; or

(b) any charity which is registered under the provisions of the Charities Act 1960; or

(c) any exempt charity within the meaning of that Act

other than (in any such case) a retirement benefits scheme, charity or exempt charity of which the majority of the trustees are Foreigners, Foreign Corporations or Corporations under Foreign Control;

"Share" means any share (not being a share for the time being held by the Trustees of the British Aerospace Employee Share Ownership Scheme or other schemes established by the Company and approved pursuant to the Finance Act 1978 as amended) in the capital of the Company which ordinarily carries the right to vote on a poll at General Meetings of the Company;

"United Kingdom" means Great Britain, Northern Ireland, the Channel Isles and the Isle of Man.

(iii) The Directors shall not register any person as a holder of a Share (other than an allottee under an issue of Shares by way of capitalisation of profits or reserves made pursuant to the Articles of Association) unless there has been furnished to them a declaration (in such form as the Directors may from time to time prescribe) signed by or on behalf of such person (or, in the case of a corporation, sealed by the corporation or signed on its behalf by an attorney or duly authorised officer or agent of the corporation), together with such evidence as the Directors may require of the authority of any signatory on behalf of such person, stating that, upon registration of such Share in the relevant name or names, either (a) such Share will not be a Foreign-held Share or (b) such Share will be a Foreign-held Share. The Directors shall in any case where they may consider it appropriate require such person to provide such evidence or give such information as to the matters referred to in the declaration as they think fit. The Directors shall decline to register any person as a holder of a Share if such a declaration or further evidence or information is not provided or given.

(iv) (A) The Directors shall maintain a separate register in which shall be entered particulars of any Share which (a) has been acknowledged by the holder (or by any one of joint holders) to be a Foreign-held Share; or (b) has been declared to be a Foreign-held Share by virtue of a declaration of the Directors made pursuant to paragraph (vi) below; and in either case which has not ceased to be a Foreign-held Share.

If at any time the aggregate number of Foreign-held Shares of which particulars are entered as aforesaid results in more than 15 per cent. of the votes which are ordinarily eligible to be cast on a poll at General Meetings of the Company being exercisable in respect of Foreign-held Shares ("the Permitted Maximum") Excess Foreign-held Shares shall be dealt with in accordance with paragraph (vii) below. It shall be for the Directors to decide whether or not a Foreign-held Share is an Excess Foreign-held Share but, in making any such decision, the Directors shall, so far as practicable, have regard to the order of date in which particulars of Foreign-held Shares have been, or are to be, entered in the separate register as aforesaid save in circumstances where such would, in the opinion of the Directors, be inequitable when the Directors shall apply such other criterion or criteria as they consider appropriate.

(B) Subject as hereinafter mentioned, the Directors shall remove from such register any Foreign-held Share if there has been furnished to them a declaration (in such form as the Directors may from time to time prescribe) signed by or on behalf of the holder of such Foreign-held Share (or, in the case of a corporation, sealed by the corporation or signed on its behalf by an attorney or duly authorised officer or agent of the corporation), together with such evidence as the Directors may require of the authority of any signatory on behalf of such holder stating that such Share is no longer a Foreign-held Share. The Directors shall also in any case where they may consider it appropriate require such holder to provide such evidence or give such information as to the matters referred to in the declaration as they think fit. The Directors shall not remove from such register any Foreign-held Share if such a declaration or further evidence or information is not provided or if they are not satisfied that the Share is not a Foreign-held Share.

(v) Subject as herein provided the Directors shall, unless any Director has reason to believe otherwise, be entitled to assume without enquiry that all Shares, other than those particulars of which are entered in the separate register maintained by the Directors pursuant to paragraph (iv) above, are not Foreign-held Shares. Nevertheless, the Directors may at any time give notice in writing to the holder (or to any one of joint holders) of a Share requiring him to make a declaration (in such form as the Directors may prescribe) within such reasonable period as may be specified in the notice as to whether or not the Share is a Foreign-held Share.

(vi) Whether or not they have given a notice under paragraph (v) above, if at any time it appears to the Directors that a Share which they have not treated as a Foreign-held Share may be such a Share, they shall give notice in writing to the holder (or to any one of joint holders) requiring him to show to their satisfaction that such a Share is not a Foreign-held Share. For this purpose failure to make a declaration pursuant to paragraph (v) above shall be sufficient reason for the Directors so acting. If within 21 days after the giving of such notice (or such extended time as in all the circumstances the Directors shall consider reasonable) they are not so satisfied, the Directors shall declare such Share to be a Foreign-held Share.

(vii) The Directors shall give notice in writing to the holder (or to any one of joint holders) of any Share which appears to them to be an Excess Foreign-held Share requiring him to transfer such Share to another person so that it will cease to be a Foreign-held Share. If within 21 days after the giving of such notice (or such extended time as in all the circumstances the Directors shall consider reasonable) such notice is not complied with to the satisfaction of the Directors, the Share shall not, until registration of a transfer thereof pursuant to the provisions of this paragraph, confer any right to receive notice of or to attend or vote at General Meetings of the Company and the Directors shall arrange for the Company to sell such Share at the best price reasonably obtainable to any other person so that the Share will cease to be a Foreign-held Share. For this purpose the Directors may authorise in writing any officer or employee of the Company to execute on behalf of the holder or holders a transfer of the Share to the purchaser and may issue a new certificate to the purchaser. The net proceeds of the sale of such Share shall be received by the Company whose receipt shall be a good discharge for the purchase money and shall be paid over by the Company to the former holder or holders upon surrender by him or them of the certificate for the Share, but such proceeds shall in no circumstances carry interest against the Company.

(viii) Any notice given pursuant to paragraphs (v), (vi) or (vii) above may relate to more than one Share and shall specify the Share or Shares to which it relates.

(ix) The Directors shall not be required to give any reasons for any decision or declaration made in accordance with these provisions.

3. Subsidiary and associated companies of the Company and Groupements d'Intérêt Economique

The Company's principal subsidiary and associated companies and the principal Groupements d'Intérêt Economique of which the Company is a member, all of which are currently trading and none of the shares of which, where applicable, is listed on a stock exchange, are as follows:

	Share capital issued, outstanding and fully paid	Percentage of share capital or interest held by British Aerospace	Country and year of incorporation or establishment	Principal Activity
Subsidiary companies				
British Aerospace (Insurance) Limited	£200,000	100	England 1971	Arranging self insurance for certain risks of the Company
British Aerospace (Insurance Brokers) Limited	£100	100	England 1963	Insurance broking for the Company and staff
British Aerospace Inc.	$1,250,000	100	United States 1981	Marketing and support activities
British Aerospace Australia Limited	A$200,000	100	Australia 1981	Manufacture of electronic components
British Scandinavian Aviation AB	SKr 150,000	100	Sweden 1969	Agency
Associated companies				
Lloyds Associated Air Leasing Limited	£2,500,000	20	England 1980	Civil aircraft leasing
Frames Travel (Fylde) Limited	£1,000	50	England 1947	Travel agents
Dulles International Aeroservices Inc.	$1,000	49	United States 1978	Ownership of joint facility at Dulles Airport
Société Européenne de Production de l'Avion E.C.A.T. S.A.	FF100,000	50	France 1966	Co-ordinating the Jaguar programme
Panavia Aircraft GmbH	DM 10,000,000	42½	Germany 1969	Managing the Tornado programme
Arab British Dynamics	£8,000,000	30	Egypt 1978	Production of Swingfire in Egypt
Groupements d'Intérêt Economique				
Airbus Industrie	—	20	France 1971	Managing the Airbus programme
Anti-Ship Euromissile	—	33⅓	France 1976	Co-ordinating the development of an anti-ship missile
Euromissile Dynamics Group	—	33⅓	France 1980	Co-ordinating the development and production of anti-tank missiles

4. Directors' and Other Interests

Prior to this Offer for Sale, the entire issued share capital of the Company was held by nominees of the Secretary of State for Industry.

None of the Directors has any interest in any share capital of the Company or any of its subsidiaries. The executive Directors of the Company are eligible to participate in the British Aerospace Employee Share Ownership Scheme.

5. Directors' service agreements

The following Directors of the Company have entered into service agreements with the Company under which they have agreed to serve the Company on a full-time basis and their respective current annual salaries are set out below. Such service agreements continue until the respective dates set out below and, in the case of Sir Austin Pearce, Mr. B. E. Friend, Sir Raymond Lygo and Mr. J. T. Stamper, will continue thereafter, subject to their normal retirement dates, unless and until terminated by either party by not less than 12 months' notice in writing:

Name	Current salary	Expiry date
Sir Austin Pearce	£49,000	21st March, 1985
Mr. A. H. C. Greenwood	£37,750	30th June, 1982
Sir Peter Fletcher	£30,000	31st May, 1982
Mr. B. E. Friend	£32,750	22nd June, 1983
Sir Raymond Lygo	£30,000	31st August, 1983
Sir Frederick Page	£37,750	30th June, 1983
Mr. E. G. Robertson	£32,750	30th June, 1982
Mr. J. T. Stamper	£28,750	28th March, 1983

The salaries of the executive Directors are being reviewed by a committee of the Board consisting of the Chairman and non-executive Directors.

Save as mentioned above, there are no existing or proposed service agreements between any of the Directors and the Company or any of its subsidiaries, other than service agreements expiring or determinable by the employing company within one year without payment of compensation (other than statutory compensation).

6. British Aerospace Act 1980

The following is a summary of the effect of certain provisions of the British Aerospace Act 1980 ("the Act") and governing instruments made thereunder:

(a) Vesting of property and liabilities of the Corporation in the Company

[illegible]

(b) Cancellation of Government investment in the Corporation

[illegible]

(c) Shares issued

[illegible]

(d) Government shareholding

[illegible]

Meetings of the Company and (b), except as mentioned in the Act, carry a right to participate in any distribution (whether of dividends or of capital) without limit as to amount.

(ii) As soon as the Company ceases to be wholly owned by the Crown the Secretary of State shall by order made by statutory instrument fix a target investment limit in relation to the shares for the time being held in the Company by the Secretary of State or his nominees by virtue of the Act ("the Government shareholding"), such target investment limit being expressed as a proportion of the voting rights exercisable at General Meetings of the Company.

(iii) The first target investment limit fixed shall be equal to the proportion of those voting rights which is carried by the Government shareholding at the time when the order fixing the limit is made.

(iv) The Secretary of State may from time to time by order made by statutory instrument fix a new target investment limit, provided that any new limit must be lower than the one it replaces and an order fixing any limit may only be revoked by an order fixing a new limit. The Secretary of State shall exercise his powers under the Act to ensure that the Government shareholding does not exceed the target investment limit for the time being in force and if, by reason of the taking up of rights available to members of the Company, such target investment limit is exceeded, to comply as soon as reasonably practicable with the applicable target investment limit.

(e) Liability of Secretary of State in respect of obligations of the Company

(i) If:

(A) a resolution is passed for the voluntary winding up of the Company otherwise than merely for the purpose of reconstruction or amalgamation with another company; or

(B) an order is made for the winding up of the Company by the Court:

the Secretary of State shall become liable on the commencement of the winding up to discharge any outstanding liability of the Company in respect of:

(1) any obligation of the Corporation which vested in the Company by virtue of the Act; and

(2) any liability imposed on the Company by the Act to pay any sum required by any judgment or order (being a judgment or order made in circumstances where the cause of action arose before 1st January, 1981) to be paid by a company that became a wholly owned subsidiary of the Company on 1st January, 1981 by virtue of the Act which is not paid by that subsidiary within 14 days after the date on which the judgment or order becomes enforceable.

(ii) Where any sum is required to be paid as set out in (i) (2) of this paragraph (e) in respect of a liability arising under a contract, the cause of action shall be regarded, for this purpose, as having arisen at the time when the contract was made.

(iii) Where the Secretary of State makes a payment to any person in discharge of what appears to him to be a liability imposed on him by the provisions set out in this paragraph (e), he shall thereupon become a creditor of the Company to the extent of the amount paid, his claim being treated for the purposes of the winding up as a claim in respect of the original liability.

7. Underwriting Arrangements

An Agreement dated 3rd February, 1981 between (1) the Secretary of State for Industry, (2) the Company, (3) Kleinwort, Benson Limited, Hill Samuel & Co. Limited, Morgan Grenfell & Co. Limited and J. Henry Schroder Wagg & Co. Limited (the "Underwriters") and (4) the Directors of the Company provides, *inter alia*, for the underwriting of 100,000,000 Ordinary Shares, being the maximum number which may be sold under this Offer for Sale, in consideration of a commission payable by the Secretary of State of 1½ per cent. of the total offer price out of which there will be paid sub-underwriting commissions of 1¼ per cent. and a fee to the brokers to the Offer for Sale, together in each case with VAT where applicable. The Agreement also contains (i) certain warranties and representations by the Directors of the Company to the Secretary of State and by the Secretary of State to the Underwriters and the Directors of the Company, (ii) indemnities by the Secretary of State in favour of Kleinwort, Benson Limited, the Directors of the Company and the Underwriters in relation to the contents of the Offer for Sale and (iii) provisions which permit the Secretary of State and a majority of the Underwriters to terminate the Agreement, subject as therein mentioned, if, prior to the announcement of the basis of allocation, they agree that, by reason of an adverse change in relevant conditions, this Offer for Sale should not proceed.

8. Taxation

(a) The British Aerospace Act 1980 provides that, for all purposes of corporation tax and development land tax, the Company shall be treated as if it were the same person as the Corporation.

(b) Clearance has been obtained from the Board of Inland Revenue under section 464 of the Income and Corporation Taxes Act 1970 in respect of the vesting of the property, rights, liabilities and obligations of the Corporation in the Company and the subsequent sale of Ordinary Shares pursuant to this Offer for Sale.

(c) *The Directors have been advised that it is not possible to state at the date hereof whether the Company will be a close company* (as defined in the Income and Corporation Taxes Act 1970) immediately following this Offer for Sale.

9. Special Arrangements for Employees

HM Government has made arrangements for each employee of British Aerospace who is eligible under the terms of the British Aerospace Employee Share Ownership Scheme (the "Scheme") to be offered, free of cost and at HM Government's expense, 33 Ordinary Shares (the number nearest to, but not exceeding, £50 in value at the offer price) to be held on his behalf by the Trustees of the Scheme. In addition, HM Government has arranged for up to 2,178,990 Ordinary Shares to be available to such eligible employees for purchase at the offer price (subject to a limit of 600 Ordinary Shares per employee and to scaling-down in the event of over-application by such employees); each employee who purchases shares under this arrangement and vests them in the Trustees will then have appropriated to him, free of cost and at HM Government's expense an equal number of Ordinary Shares to be held on his behalf by the Trustees. All the Ordinary Shares held by the Trustees under the Scheme, further details of which are set out in paragraph 10 below, will be subject to restrictions on disposal.

10. Employee Share Ownership Scheme

The Company has adopted an Employee Share Ownership Scheme constituted by a Trust Deed dated 16th December, 1980 between the Company and Lloyds Bank Limited as Trustees; the Scheme has been approved by the Inland Revenue under the provisions of the Finance Act 1978 (as amended).

All United Kingdom employees of the Company with one year's service (including service with the Corporation) are eligible *to participate in the Scheme; non-United Kingdom employees, and former employees within eighteen months after cessation* of service, may be included at the discretion of the Directors.

The Scheme may be operated in either or both of the following ways:

(a) the Company may provide the Trustees with funds to enable them to subscribe and/or purchase Ordinary Shares which will then be appropriated to eligible employees who indicate that they wish to participate in the Scheme; the amount of the funds thus made available, and the amount available for each individual employee, will be determined by the Directors;

(b) eligible employees may be invited to vest in the Trustees Ordinary Shares (subject to a specified minimum value), whereafter the Trustees will be put in funds by the Company to subscribe and/or purchase additional shares to be appropriated to eligible employees accepting such offer: the ratio between the shares contributed by individual employees and those acquired for their benefit with funds provided by the Company will be determined by the Directors;

provided that (i) on any occasion on which the Scheme is operated, all eligible employees may participate on similar terms and (ii) the maximum value of Ordinary Shares that may be appropriated to any individual participant in any year shall not exceed £1,000.

The Scheme will be utilised in conjunction with this Offer for Sale in the manner described in paragraph 9 above; any further utilisation will be at the discretion of the Company within the parameters set out above. The number of Ordinary Shares that may be issued under the Scheme is limited to 20,000,000 in aggregate or to one per cent. of the Company's issued Ordinary share capital in any one year; the aggregate number may be adjusted in the event of any capitalisation or rights issue. Any shares so issued will rank *pari passu* in all respects with the Ordinary Shares then in issue, and will be subscribed at their market value on the business day prior to their issue and appropriation; an application will be made to the Council of The Stock Exchange for their admission to the Official List.

As required by the provisions of the Finance Act 1978 (as amended), shares acquired by the Trustees at the expense of the Company will be held by them for a minimum period of two years, during which they may not be sold except in the case of death, the attainment of statutory pensionable age or cessation of service by reason of redundancy or disability. For the *following five years, the Trustees will retain such shares unless the employee concerned wishes to sell or otherwise dispose* of them; and thereafter will transfer them to the employee concerned. Shares acquired by employees and vested in the Trustees will normally be held by the Trustees for two years, and will then be transferred to the employee concerned. While any shares are held in trust in this way, the respective employees will be the beneficial owners and will be entitled to receive dividends.

Certain provisions of the Scheme may be amended by the Directors, but the basic structure (and in particular the limitations on participation and on the number of Ordinary Shares that may be issued thereunder) cannot be altered to the advantage of actual or prospective participants without the prior sanction of the Company in General Meeting.

11. Compensation

Pursuant to the Aircraft and Shipbuilding Industries Act 1977, under which the Corporation was established, the former owners of the shares which vested in the Corporation pursuant to that Act became entitled to compensation. The terms of compensation payable under the Act have been agreed and paid by HM Government, although there is a prospect that two of the former owners may take further action in respect thereof. No liability will accrue to the Company in respect of such compensation.

12. General

(a) Save as disclosed in this Offer for Sale:

(i) no share or loan capital of the Company has since 31st December, 1979, the date of the Company's incorporation, or of any of its subsidiaries has since 1st January, 1979, been issued or been agreed to be issued or is now proposed to be issued fully or partly paid, either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries since the said respective dates in connection with the issue or sale of any share or loan capital of such companies; and

(iii) no share or loan capital of the Company or of any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

(b) No material issue of shares of the Company (other than consequent upon an offer to shareholders pro rata to their existing shareholdings) will be made within one year of the date of this Offer for Sale without the prior sanction of the Company in General Meeting.

(c) Following this Offer for Sale, 30,000,000 Ordinary Shares of the Company will remain unissued, but no issue of such shares which would effectively alter the control of the Company will be made without the prior sanction of the Company in General Meeting.

(d) No Director of the Company has, or has had within two years before the date of this Offer for Sale, any interest in any assets which have been, or which are proposed to be, acquired or disposed of by or leased to British Aerospace. No contract or arrangement subsists, or subsisted within two years before the date of this Offer for Sale, in which a Director of the Company is or was materially interested and which is or was significant in relation to the business of British Aerospace taken as a whole.

(e) British Aerospace is engaged in a number of disputes which involve or may involve legal proceedings and all of which save one have arisen in the ordinary course of British Aerospace's business. In addition, the National Aeronautics and Space Administration ("NASA") of the United States has recently drawn Airbus Industrie's attention to certain patents which NASA alleges might be infringed by the design of the A310 wing. The existence of these patents has been known for some time and legal advice sought as to their validity and the possibility of infringement. Having regard to legal advice received and, where relevant, to British Aerospace's insurance arrangements and provisions already made, the Board is of the opinion that none of these matters will, either individually or in the aggregate, result in liabilities which would have a material and adverse effect on the Company's business.

(f) *The Board is of the opinion that British Aerospace carries reasonable insurance cover for all major risks facing British* Aerospace which would be expected to be the subject of insurance cover.

(g) The preliminary expenses of formation of the Company and certain expenses of this Offer for Sale will be borne by the Secretary of State for Industry. The balance of the expenses of this Offer for Sale, including capital duty, will be borne by the Company and are estimated to amount to approximately £1,150,000.

(h) In addition to payment of expenses of this Offer for Sale, the Secretary of State for Industry has agreed to pay to Kleinwort, Benson Limited a fee for its services as merchant banking advisers to the Department of Industry in connection with the preparation of this Offer for Sale.

(i) *Kleinwort, Benson Limited has given and has not withdrawn its written consent to the issue of this Offer for Sale with the* inclusion of its letter and the references thereto in the form and context in which they are included. Peat, Marwick, Mitchell & Co. have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion of their report and letter and the references thereto in the form and context in which each is included. Fuller Peiser, Chartered Surveyors, and Gerald Eve & Co., Chartered Surveyors, have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion therein of the references to their joint valuation in the form and context in which they are included.

(j) A Certificate of Exemption has been granted by the Council of The Stock Exchange pursuant to section 39 of the Companies Act 1948.

(k) The documents attached to the copy of this Offer for Sale delivered to the Registrar of Companies for registration were the written consents referred to in sub-paragraph (i) above, copies of the forms of application, copies of the agreements referred to in paragraphs 5 and 7 above, the Trust Deed referred to in paragraph 10 above and the statement of Peat, Marwick, Mitchell & Co. setting out the adjustments made in arriving at the figures contained in their report (as set out herein) and giving the reasons therefor.

(l) The Company, by virtue of the provisions of section 11 of the British Aerospace Act 1980, will be deemed to have paid dividends on the Ordinary Shares in each of the years 1976 to 1980 inclusive and accordingly, on admission to the Official List, the Ordinary Shares will be "wider-range investments" within the meaning of the Trustee Investments Act 1961.

13. Documents Available for Inspection

Copies of the following documents may be inspected at the offices of Linklaters & Paines, Barrington House, 59-67 Gresham Street, London EC2V 7JA during usual business hours on any weekday (Saturdays excepted) for a period of fourteen days following the date of this Offer for Sale:

(a) the Memorandum and Articles of Association of the Company;

(b) the British Aerospace Act 1980 and the relevant statutory instruments, directions, consents and appointments thereunder;

(c) the audited consolidated accounts of the Corporation and its subsidiaries for the three financial periods ended 14th June, 1980;

(d) the Accountants' Report, together with their statement setting out the adjustments made in arriving at the figures contained in the Report;

(e) the written consents referred to in paragraph 12 (i) above;

(f) the joint valuation of property carried out by Fuller Peiser, Chartered Surveyors, and Gerald Eve & Co., Chartered Surveyors, and referred to in this Offer for Sale;

(g) the Underwriting Agreement referred to in paragraph 7 above;

(h) the Trust Deed constituting the Employee Share Ownership Scheme referred to in paragraph 10 above;

(i) the service agreements referred to in paragraph 5 above; and

(j) the letter of the Secretary of State for Industry referred to under "Relationship with HM Government" above.

Dated 4th February, 1981.

Procedure for application

Applications (other than special employee applications) must be for a minimum of 50 shares and thereafter for the following multiples of shares:

Applications for not more than 1,000 shares:	in multiples of 100 shares.
Applications for over 1,000 shares and not more than 10,000 shares:	in multiples of 500 shares.
Applications for over 10,000 shares and not more than 50,000 shares:	in multiples of 1,000 shares.
Applications for over 50,000 shares:	in multiples of 10,000 shares.

Application must be made on the accompanying Application Form which, together with a sterling cheque or bankers draft for the full amount payable on application, should be posted or lodged according to the instructions and at one of the addresses set out on the back of the Application Form. Photostat copies of Application Forms will not be accepted.

Each application must be accompanied by a separate sterling cheque, bankers draft or Girocheque which must be made payable to "Lloyds Bank Limited" and be crossed "Not Negotiable-BAe Shares". A cheque or a bankers draft must be drawn on a branch, in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man, of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and bankers drafts to be cleared through the facilities provided for the members of those Clearing Houses (and must bear the appropriate sorting code number in the top right hand corner). The right is reserved to present all cheques and bankers drafts for payment on receipt, to reject any application, including multiple or suspected multiple applications, and to retain Letters of Acceptance and surplus application moneys pending clearance of the cheques and bankers drafts of successful applicants. Due completion and delivery of an Application Form accompanied by a cheque or bankers draft will constitute an undertaking that such cheque or bankers draft will be honoured on first presentation: attention is drawn to the declaration in the Application Form to that effect. Applications will be irrevocable until 20th February, 1981.

Attention is drawn to the declaration in the Application Form that the shares applied for would not be Foreign-held Shares. If the declaration cannot be made, it must be deleted. Shares may be Foreign-held Shares (i.e. owned by a Foreigner, a Foreign Corporation or a Corporation under Foreign Control), but shares so owned will be limited in number and subject to the special conditions set out in paragraph 2(d) of Appendix IV above.

If application is made by or on behalf of the same person(s) on one or more Application Forms and the aggregate number of Ordinary Shares included in such application(s) exceeds 2,000,000, the application(s) must be submitted together, accompanied by a letter addressed to Lloyds Bank Limited indicating the total number of Ordinary Shares applied for and the person(s) on whose behalf such application(s) has/have been made. This requirement does not apply to a nominee if none of the persons who would be beneficially entitled to the Ordinary Shares included in that and all other applications made by or on his behalf, on the assumption that such applications were accepted in full, would acquire more than 2,000,000 Ordinary Shares.

In addition to the special arrangements for employees of British Aerospace in relation to the Employee Share Ownership Scheme described in paragraph 9 of Appendix IV, preferential consideration will be given to applications received from employees of the Company up to a total of 5,000,000 Ordinary Shares if made on the pink Application Forms available to them.

Acceptance of applications will be conditional on the Council of The Stock Exchange admitting the Ordinary share capital (issued and now being issued) of the Company to the Official List not later than 16th February, 1981. Moneys collected in respect of applications will be returned if such condition is not satisfied and in the meantime will be retained by Lloyds Bank Limited in a separate account. If any applications are not accepted or are accepted for fewer shares than the number applied for, the application moneys or the balance thereof, as the case may be, will be returned through the post at the risk of the applicants concerned.

It is a term of this Offer for Sale that the provisions referred to under paragraph 2(d) of Appendix IV are not implemented. Arrangements have been made for the shares now offered for sale to be registered by the Company free of stamp duty in the names of the successful applicants or persons in whose favour Letters of Acceptance have been renounced, provided that, in cases of renunciation, Letters of Acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration not later than 3 p.m. on 3rd April, 1981 and provided also that Excess Foreign-held Shares will be dealt with in accordance with the Articles of Association of the Company. Share certificates will be despatched on 1st May, 1981.

Copies of this Offer for Sale, with Application Forms, may be obtained from:

Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB.	British Aerospace Public Limited Company, 100 Pall Mall, London SW1Y 5HR.	
Hoare Govett Limited, Heron House, 319/325 High Holborn, London WC1V 7PB.	Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN.	W. Greenwell & Co., Bow Bells House, Bread Street, London EC4M 9EL.

and at all branches of Lloyds Bank Limited within the City of London, at other main branches of Lloyds Bank Limited in England, Wales and Scotland, at the main branches of Clydesdale Bank Limited in Scotland, and at the main branches of Bank of Ireland in Northern Ireland.

INSTRUCTIONS FOR PAYMENT AND DELIVERY

PAYMENT.—Each application must be accompanied by a separate cheque, bankers draft or Girocheque which must be made payable to Lloyds Bank Limited and be crossed "Not Negotiable—BAe Shares".

A cheque or a bankers draft (either of which must be in sterling) must be drawn on a branch, in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man, of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and bankers drafts to be cleared through the facilities provided for the members of those Clearing Houses (and must bear the appropriate sorting code number in the top right hand corner).

DELIVERY.—This application, together with your payment as above, should be posted so as to be received not later than 10 a.m. on Friday, 13th February, 1981 by:

Lloyds Bank Limited, Registrar's Department, Goring-by-Sea, Worthing, West Sussex, BN12 6DA.

Alternatively, applications may be lodged by hand not later than 10 a.m. on Friday, 13th February, 1981 at:

LONDON	Lloyds Bank Limited, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2.

or lodged by hand not later than 3.30 p.m. on Thursday, 12th February, 1981 at one of the addresses listed below:

BELFAST	Bank of Ireland, 54 Donegall Place, Belfast.
BIRMINGHAM	Lloyds Bank Limited, 125 Colmore Row, Birmingham.
BRISTOL	Lloyds Bank Limited, 55 Corn Street, Bristol.
CARDIFF	Lloyds Bank Limited, 27 High Street, Cardiff.
EDINBURGH	Lloyds Bank Limited, 131 George Street, Edinburgh.
GLASGOW	Lloyds Bank Limited, 12 Bothwell Street, Glasgow.
LEEDS	Lloyds Bank Limited, 6/7 Park Row, Leeds.
LIVERPOOL	Lloyds Bank Limited, India Buildings, Water Street, Liverpool.
MANCHESTER	Lloyds Bank Limited, 53 King Street, Manchester.
NEWCASTLE	Lloyds Bank Limited, 7/17 Collingwood Street, Newcastle upon Tyne.
SOUTHAMPTON	Lloyds Bank Limited, 15/21 High Street, Southampton.

DEFINITIONS:

"Foreigner" means any individual who is not a citizen of the United Kingdom and Colonies by virtue of the British Nationality Act 1948.

"Foreign Corporation" means:

(i) any corporation other than a corporation which is incorporated under the laws of any part of, and which has its principal place of business and central management and control in, the United Kingdom; or

(ii) a government or government department or government agency or body other than of the United Kingdom or any part thereof; or

(iii) any municipal, local, statutory or other authority or any undertaking or body established in any country other than the United Kingdom.

"Corporation under Foreign Control" means any corporation (other than a Foreign Corporation):

(i) of which one third or more of the directors (or persons occupying the position of directors by whatever name called) are *Foreigners or Foreign Corporations or are accustomed to act in accordance with the suggestions, instructions or directions of Foreigners* or Foreign Corporations; or

(ii) of which shares carrying more than thirty per cent. of the votes which are ordinarily eligible to be cast on a poll at General Meetings of the corporation are for the time being held by Foreigners or Foreign Corporations.

"Foreign-held Share" means any Share (other than a Qualifying Share) of which any Owner is a Foreigner, Foreign Corporation or Corporation under Foreign Control.

"Owner", in relation to any Share, means:

(i) any person who holds, whether alone or jointly with any other person, any Share; or

(ii) any person on whose behalf any Share is, directly or indirectly, held, or with or to whom any holder of any Share has agreed or committed himself or become obliged (whether or not in a manner which is legally binding) to exercise or to refrain from exercising voting rights attaching thereto in accordance with that person's suggestions, instructions or directions.

"Qualifying Share" means any share in the capital of the Company which is at the material time held by, or by a nominee or custodian trustee for, the trustees of:

(i) any retirement benefits scheme for the employees of a business or undertaking carried on (wholly or mainly) in the United Kingdom otherwise than by a Foreigner or Foreign Corporation which is, or is treated by the Commissioners of Inland Revenue as, an exempt approved scheme for the purposes of the Finance Act 1970; or

(ii) any charity which is registered under the provisions of the Charities Act 1960; or

(iii) any exempt charity within the meaning of that Act

other than (in any such case) a retirement benefits scheme, charity or exempt charity of which the majority of the trustees are Foreigners, Foreign Corporations or Corporations under Foreign Control.

"Share" means any share (not being a share for the time being held by the Trustees of the British Aerospace Employee Share Ownership Scheme or other scheme established by the Company and approved pursuant to the Finance Act 1978 as amended) in the capital of the Company which ordinarily carries the right to vote on a poll at General Meetings of the Company.

"United Kingdom" means Great Britain, Northern Ireland, the Channel Isles and the Isle of Man.

EXAMPLES OF AMOUNTS PAYABLE @ 150p PER SHARE

Shares	£
50	75
100	150
200	300
300	450
400	600
500	750
1,000	1,500
5,000	7,500
10,000	15,000
25,000	37,500
50,000	75,000

Application Form

THE APPLICATION LIST WILL OPEN AT 10 A.M. ON *FRIDAY, 13th FEBRUARY, 1981 AND MAY BE CLOSED AT* ANY TIME THEREAFTER.

This Application Form when completed should be forwarded, together with your remittance for the full amount payable, in accordance with the instructions printed above.

Offer for Sale of up to 100,000,000 Ordinary Shares of 50p each of

BRITISH AEROSPACE

PUBLIC LIMITED COMPANY

(Incorporated under the Companies Acts 1948 to 1976)

AT 150p PER SHARE PAYABLE IN FULL ON APPLICATION

by

KLEINWORT, BENSON LIMITED

on behalf of

THE SECRETARY OF STATE FOR INDUSTRY

FOR OFFICE USE ONLY

1. Letter of Acceptance No.
2. Shares applied for
3. Shares accepted
4. Amount received on application £
5. Amount payable on shares accepted £
6. Amount returned £
7. Return Cheque No.

To: KLEINWORT, BENSON LIMITED

*Number of shares applied for	†Amount of cheque enclosed
	£

*Applications must be for a minimum of 50 shares and thereafter for the following multiples of shares:—

Applications for not more than 1,000 shares:	in multiples of 100 shares.
Applications for over 1,000 shares and not more than 10,000 shares:	in multiples of 500 shares.
Applications for over 10,000 shares and not more than 50,000 shares:	in multiples of 1,000 shares.
Applications for over 50,000 shares:	in multiples of 10,000 shares.

†See instructions printed above.

I/We enclose my/our remittance for the above-mentioned sum, being the amount payable on application for the above-stated number of Ordinary Shares of 50p each of British Aerospace Public Limited Company. I/We offer to purchase that number of shares, or any lesser number of shares in respect of which this application may be accepted, upon the terms of the Offer for Sale dated 4th February, 1981 and subject to the Memorandum and Articles of Association of British Aerospace Public Limited Company.

I/We hereby authorise you to send a renounceable Letter of Acceptance in respect thereof, and/or a cheque for any application moneys returnable, by post at my/our risk, to the (first-named) applicant and at his address shown below and to procure my/our name(s) to be placed on the Register of Members of British Aerospace Public Limited Company as holder(s) of such of the shares allocated to me/us (if any) as have not been duly renounced.

In consideration of the Secretary of State agreeing to accept applications on the terms and subject to the conditions of the said Offer for Sale for an aggregate number of at least 96,731,515 Ordinary Shares of 50p each of British Aerospace Public Limited Company, I/we agree that this application shall be irrevocable until 20th February, 1981 and that this paragraph shall constitute a collateral contract between me/us and the Secretary of State which shall become binding upon despatch by mail or delivery of this Application Form to Lloyds Bank Limited in accordance with the instructions printed above.

I/We understand that the completion and delivery of this Application Form accompanied by my/our cheque, bankers draft or Girocheque constitutes a representation that the same will be honoured on first presentation. I/We acknowledge that any Letter of Acceptance and (if appropriate) remittance for any application moneys returnable to be sent to me/us is liable to be held pending clearance of such cheque, bankers draft or Girocheque.

‡I/We hereby declare that, if this application is accepted (in whole or in part) and the shares for which it is accepted are registered in my/our name(s), such shares will not be Foreign-held Shares (i.e. either that no Foreigner, Foreign Corporation or Corporation under Foreign Control will be an Owner of any of such shares or that such shares will be Qualifying Shares, such terms having the respective meanings shown above).

I/We declare that my/our deletion (if any) of the immediately foregoing declaration shall constitute a declaration that shares for which this Application is accepted will, if registered in my/our name(s), be Foreign-held Shares.

‡ IMPORTANT: IF THE DECLARATION IN THE BOX ABOVE CANNOT BE MADE, IT MUST BE DELETED. (Shares may be owned by a Foreigner, a Foreign Corporation or a Corporation under Foreign Control, but shares so owned will be limited in number and subject to special conditions which are set out in Appendix IV to the Offer for Sale.)

PLEASE USE BLOCK LETTERS

1 .... Signature .... Date

Forename(s) (in full) ....

Surname and designation (Mr., Mrs., Miss or title) ....

Address (in full) ....

ALL JOINT APPLICANTS MUST SIGN.

The signature on behalf of a corporation should be that of a duly authorised official who should state his representative capacity.

If this Form is signed by an attorney, the power of attorney must accompany this Form.

No receipt will be issued for the payment on application, but an acknowledgement will be forwarded in due course through the post, at the risk of the applicant(s), by fully paid renounceable Letter of Acceptance and/or remittance for any application moneys returnable.

2 .... Signature

Forename(s) (in full) .... Surname and designation (Mr., Mrs., Miss or title)

Please pin top left corner of cheque here

Address (in full) ....

3 .... Signature

Forename(s) (in full) .... Surname and designation (Mr., Mrs., Miss or title) ....

Address (in full) ....

4 .... Signature

Forename(s) (in full) .... Surname and designation (Mr., Mrs., Miss or title) ....

Address (in full) ....

Companies and Markets

INTL. COMPANIES & FINANCE

Half-year operating profits setback for Daihatsu

BY YOKO SHIBATA IN TOKYO

DAIHATSU, the manufacturer of small cars within the Toyota group, experienced a setback in operating profits in the half-year ended December 31, 1980, partly because of higher materials costs.

Operating profit fell by 13.7 per cent to Y3.76bn ($18.52m). Net profits advanced by 4 per cent to Y2.46bn on sales of Y174bn ($859m), up 8.2 per cent over the first half of the previous year. Per share profits moved to Y6.72 from Y6.46.

The company sold 290,996 vehicles in the half year, to show a gain of 4 per cent. Sales to Toyota totalled 70,251 units, 17,207 units fewer than in the previous year (a fall of 20 per cent). The company's domestic sales flattened out at 145,121 vehicles, despite support from newly introduced fuel saving sub-compact cars (sales of which were up 27 per cent domestically). Exports totalled 75,624 vehicles, for a gain of 60 per cent. The strength in exports was attributed to the popularity of the company's fuel saving sub-compact cars among South-East Asian and Latin-American countries.

The company has increased capital investment this financial year by 50 per cent to Y32.8bn, resulting in higher amortisation at Y2.1bn in the interim period, which contributed to the earning setback.

For the current six months ending June 30, domestic sales in volume are expected to grow by 10 per cent, with exports going up 20 per cent.

Elf increases Guatemala participation

By Our Financial Staff

ELF-AQUITAINE, the French State-controlled oil group, is to increase its stake in exploration and development in Guatemala, as a result of a deal signed at the weekend with Basic Resources, the oil and minerals company.

Elf announced last July that it was to buy up to 10 per cent of Basic Resources. In addition, Elf already has a 20 per cent interest in Basic Resources' petroleum development contract in Guatemala.

The French group is initially to acquire a further 18 per cent in the project, followed by 5 per cent more in June 1981, at which time it will have a conditional right to take up an additional 7 per cent. Should it take up the full 30 per cent, Elf would pay $53.1m in cash and assumed liabilities, according to a statement by Basic Resources.

Under the agreement, which is subject to Guatemalan and French governmental approval, Elf will bear the costs of exploration, development, production and overriding royalties for the acquired interest.

Associated Pulp doubles earnings for six months

BY OUR FINANCIAL STAFF

CONSOLIDATED after-tax profits more than doubled from A$6m to A$13.3m for the six months ended last December has been reported by Associated Pulp and Paper Mills, the Australian forest products group, despite a warning by the company that world markets for its major product lines had already begun to show a decline. An interim dividend of 9 cents a share has been declared, up from 7 cents a share for the same period of 1979.

Group turnover rose 32 per cent to A$184m, with all divisions contributing to what the company calls a satisfactory increase in profits and sales.

"The board is forecasting full-year results well ahead of 1979-1980, but warns that the rate of earnings improvement is bound to slow down during the current six-month period.

Among the factors influencing the half-year results, the company points to a high level of demand, including a substantial backlog, for many paper products, with a high level of plant utilisation. Pulp production ran higher with the recent expansion of the Burnie mill.

Wolfson sells stake in Paz

BY L. DANIEL IN TEL AVIV

SIR ISAAC WOLFSON has agreed to sell his shares in Paz Properties—the company which controls Israel's largest oil marketing concern, Paz—to the Israeli Government for $27.5m.

Paz Properties was founded when Shell withdrew from the Israeli market after the establishment of the state of Israel. Sir Isaac then took up half the shares of the new company and the Government the other half.

Paz Properties hold two-thirds of the shares of Paz Oil Company, which accounts for 45 per cent of all sales on the local market. It is also engaged through subsidiaries in the production of a range of oil and chemicals, as well as in oil exploration.

Tanker insurance claim taken to court

By John Moore

A $9M INTERNATIONAL insurance dispute arising from the sinking of the super-tanker Maria Alejandra last year has come before the Spanish courts.

The Maria Alejandra exploded and sank off the coast of Mauritania last March with the loss of 37 lives. There were seven survivors.

Mar Oil S.A., owner of the 240,000 dwt tanker, has been seeking payment of its insurance claims under a $44m insurance policy. So far all insurers have met the claims except for the New Hampshire Insurance Company, a U.S. based wholly owned subsidiary of American International Group.

New Hampshire underwrote 25 per cent of the total risk. The lead insuring underwriter was Banco Vitalicio de Espana, which insured 27 per cent of the risk.

American International Group said this week that "the decision to deny this claim was made only after a complete investigation was conducted, and after consultation with counsel both in Spain and in the U.S."

Mar Oil has sued New Hampshire in the Spanish courts in an effort to recover $9m worth of claims which, it alleges are owed to it.

The company has also lodged a complaint with the consumers service bureau of the New York State Insurance Department. The complaint says that Mar Oil "as a consumer is suffering severe damage and appeals for the protection of your department."

Legal proceedings are continuing in Madrid as New Hampshire resists the claims. This week it appealed against a court ruling requiring payment of Pta 750m ($9m).

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
AAH	Mar. 5	Int. 3.476	Hoover	Feb. 27	Final 6.39
Anglo Amer. Gold	Mar. 7	Final 350 cents	*ICI	Feb. 26	Sec. Int. 11
*Bibby (J.)	Mar. 5	Final 4.25	IMI	Mar. 17	Final 2.5
Blagden and Noakes	Mar. 3	Final 4.7	*Imperial Gp.	Feb. 12	Final 4.5
British Vita	Mar. 4	Final 2.6	*Lloyds Bank	Feb. 20	Final 8
Brown Bros.	Feb. 27	Int. 1.0	*NatWest Bank	Feb. 24	Final 10.25
Carrington Viyella	Feb. 20	Final 0.4	Nottingham Manufcrg.	Feb. 18	Final 2.75
*City Offices	Feb. 10	Final 2.429	Prudential Corpn.	Feb. 26	Final 6.0
*Commercial Bank Australia	Feb. 25	Int. 10 cents	Ransomes Sims and Jefferies	Feb. 25	Final 8.0
*Commercial Union	Feb. 24	Final 5.8	Rentokil	Mar. 4	Final 1.4
Cons. Gold Fields	Mar. 5	Int. 7.5	*Royal Insce.	Mar. 2	Final 13.25
Dalgety	Feb. 14	Int. 11.0	Securicor	Feb. 13	Final 1.02
*Dowty	Feb. 12	Int. 2	Shell Transpt.	Mar. 6	Final 10.479
Fisons	Mar. 3	Final 9.565	*Tube Inv.	Mar. 11	Final 13.0
General Accident	Feb. 27	Final 6.5	*Turner and Newall	Mar. 11	Final 7.0
General Mining	Feb. 18	Final 75 cents	Unilever	Mar. 4	Final Fl 3.792
Grindlays	Mar. 4	Final 2.687	Union Corpn.	Feb. 18	Final 43 cents
Guinness Peat	Feb. 12	Int. 2.75	Vantona	Feb. 26	Final 5.0
*Hong Kong and S'hai Bk.	Mar. 10	Final HK$0.50			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Public Works Loan Board rates

Effective from January 31

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	13½	13½	13½	14¼	14¼	14
Over 5, up to 10	13½	13¾	14½	14	14½	14⅝
Over 10, up to 15	14⅛	14⅜	14½	14⅝	14⅝	14⅝
Over 15, up to 25	14¼	14¼	14⅜	14⅝	14⅝	14⅝
Over 25	14¼	14¼	14⅜	14⅝	14⅝	14⅝

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	13½	½-year	1,000	5-7
Sefton MBC (051-922 4040)	12½	½-year	2,000	2-5

CURRENCIES, MONEY and GOLD

Looking for reassurance

BY COLIN MILLHAM

Interest rates were firmer in London towards the end of last week following the decision of the authorities to keep Bank of England Minimum Lending Rate at 14 per cent. One or two market observers were optimistic enough to expect a cut of 2 per cent in MLR on Thursday, although most predictions were for a 1 per cent reduction followed by another 1 per cent in the Budget.

There will now be some nervousness about tomorrow's money supply figures despite the sharp improvement in December. Any reversal towards the alarming figures of October and November will be a severe disappointment, because on a seasonal basis the money supply growth should be small thanks to the flow of tax into the Exchequer, taking some of the strain off Government borrowing.

According to Gerrard and National Discount Company's monthly report the amount of tax paid in January this year was higher than in the two preceding Januarys, while the authorities also succeeded in selling out the two short tap gilt-edged stocks—Exchequer convertible 12 per cent 1985 and Treasury 3 per cent 1985—leading to the announcement of another tap stock on Friday afternoon by way of an issue of £1bn Treasury 12 per cent 1986.

Friday's shortage of funds in the money market was partly the result of the 50 per cent call on the long tap Exchequer 12 per cent 1999 B. Up to £500m would have been drained from the market if all the stock had been sold, but the size of the shortage suggests that most of it remains with the Government Broker.

Further calls on gilts will be made later this month, with Treasury 11¾ per cent 1989 A taking £320m out of the market on Monday February 23, and Exchequer convertible 12 per cent 1985 draining a further £370m on Friday February 27. Payment of the rate support grant on February 23 will effectively offset the former, however.

Assuming reassurance over the money supply figures tomorrow the authorities may yet reduce MLR before the Budget, but the options are still open as there was no severe upward pressure on sterling last week. The pound finished lower against the dollar and D-mark than on the previous Friday.

THE POUND SPOT AND FORWARD

Feb. 6	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3225-2.3450	2.3430-2.3450	0.58-0.68c dis	−3.22	2.45-2.55ds	−4.27
Canada	2.7820-2.8070	2.8045-2.8065	0.30-0.90c dis	−3.63	2.95-3.10ds	−4.31
Nethlnd.	5.38-5.47	5.42-5.43	2⅛-1¾c pm	4.15	5⅛-4⅜pm	3.41
Belgium	79.40-81.00	80.20-80.30	14-4c pm	1.34	16-16 pm	0.55
Denmark	15.24-15.49	15.34½-15.36½	3½-1½ore pm	1.86	8-2 pm	1.30
Ireland	1.3320-1.3450	1.3420-1.3430	0.02ppm-0.10ds	−0.36	0.28-0.46ds	−1.10
W. Ger.	4.96-5.05	5.00½-5.01½	2¼-1¾pf pm	4.19	4½-3½ pm	3.20
Portugal	130½-132	131.40-131.60	85c pm-40 dis	2.05	95pm-145ds	−0.76
Spain	197.50-198.80	198.70-198.80	5c pm-60 dis	−1.66	195-265dis	−4.63
Italy	2348-2384	2373-2375	6½-8½lire dis	−3.79	33½-36½dis	−5.90
Norway	12.57-12.70	12.66-12.68	2½-½ore pm	1.18	2½-½ pm	0.45
France	11.42-11.62	11.52¾-11.53¾	3½-2¾c pm	3.38	6¾-5¾ pm	2.17
Sweden	10.72-10.82	10.79½-10.81½	2¾-3½ore dis	−3.40	12-13 dis	−4.63
Japan	470-480	477-478	2.40-2.05y pm	5.59	5.75-5.40 pm	4.67
Austria	35.30-35.75	35.60-35.65	15¾-12¾gro pm	4.71	38½-32¾ pm	3.97
Switz.	4.49½-4.57½	4.53¾-4.54¾	3½-2¾c pm	6.93	7½-6½ pm	6.16

Belgian rate is for convertible francs. Financial franc 80.40-80.50. Six-month forward dollar 4.60-4.70c dis. 12-month 7.10-7.30c dis.

THE DOLLAR SPOT AND FORWARD

Feb. 6	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3225-2.3450	2.3430-2.3450	0.58-0.68c dis	−3.22	2.45-2.55ds	−4.27
Ireland†	1.7310-1.7480	1.7430-1.7460	0.38-0.40c dis	−2.97	1.30-1.45ds	−3.16
Canada	1.1987-1.1994	1.1987-1.1990	0.01-0.06c dis	−0.35	.02pm-.03dis	−0.2
Nethlnd.	2.3190-2.3430	2.3200-2.3225	1.52-1.42c pm	7.60	4.52-4.42pm	7.70
Belgium	34.24-34.54	34.24-34.26	16-14½c pm	5.32	44-41	4.94
Denmark	6.5650-6.6035	6.5825-6.5850	3½-3ore pm	5.92	7¼-6¾pm	4.25
W. Ger.	2.1280-2.1680	2.1370-2.1380	1.40-1.30pf pm	7.58	4.05-3.95pm	7.48
Portugal	56.30-56.65	56.30-56.50	50c pm-par	5.32	100pm-par	3.55
Spain	84.70-84.95	84.85-84.95	25c pm-par	1.77	10pm-20dis	−0.23
Italy	1013-1024	1016-1018	½-1½lire dis	−1.18	4-5½ dis	−1.87
Norway	5.3850-5.4250	5.4000-5.4020	2.20-1.70ore pm	4.33	6.60-6.10 pm	4.70
France	4.9050-4.9625	4.9200-4.9250	2.77-2.67c pm	6.60	7.70-7.50 pm	6.15
Sweden	4.5940-4.6090	4.5940-4.5955	0.30-0.10ore pm	0.52	par-0.20dis	−0.09
Japan	202.50-204.50	203.70-203.80	1.60-1.45y pm	8.98	4.45-4.30pm	8.59
Austria	15.11-15.27	15.22-15.23	10.90-10.20gro pm	8.27	33.00-31.00pm	8.41
Switz.	1.9320-1.9650	1.9375-1.9385	1.80-1.72c pm	10.90	5.22-5.14pm	10.69

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Feb. 6		Feb. 5	
Gold Bullion (fine ounce)				
Close	$501-504	(£214¼-215½)	$490-493	(£209¼-210½)
Opening	$497-500	(£213¼-214½)	$493-496	(£211¼-212½)
Morning fixing	$506.50	(£217.009)	$497	(£211.895)
Afternoon fixing	$500.50	(£214.623)	$498.50	(£212.525)
Gold Coins				
Krugerrand	$516-518	(£220¼-221¼)	$507-509	(£216½-217¼)
1/2 Krugerrand	$265-269	(£113¼-114¾)	$261-265	(£111½-113)
1/4 Krugerrand	$134-138	(£57¼-59)	$133-137	(£56¾-58½)
1/10 Krugerrand	$56-60	(£24-25½)	$54-58	(£23-24¾)
Mapleleaf	$514½-516½	(£219¾-220½)	$503-505	(£214¾-215½)
New Sovereigns	$126½-127½	(£54-54½)	$125-126	(£53¼-53¾)
King Sovereigns	$151-153	(£64½-65½)	$149-151	(£63½-64½)
Victoria Sovs.	$151-153	(£64½-65½)	$149-151	(£63½-64½)
French 20s	$169-172	(£72-73½)	$172-175	(£73½-74¾)
50 pesos Mexico	$624-629	(£266½-268½)	$623-628	(£266-268)
100 Cor. Austria	$488-493	(£208½-210½)	$488-493	(£208½-210½)
$20 Eagles	$633-638	(£270¼-272½)	$628-633	(£268-270¼)

OTHER CURRENCIES

Feb. 6	£	$		£ Note Rates
Argentina Peso	5226-5246	2239-2249	Austria	35.00-35.40
Australia Dollar	2.0045-2.0085	0.8580-0.8585	Belgium	80.20-81.00
Brazil Cruzeiro	163.97-161.97	69.19-69.54	Denmark	15.22-15.37
Finland Markka	9.44½-9.42½	4.0480-4.0500	France	11.44-11.54
Greek Drachma	117.067-120.038	50.82-50.92	Germany	4.97-5.01½
Hong Kong Dollar	12.35-12.37	5.2975-5.3075	Italy	2400-2480
Iran Rial	175.00*	74.10*	Japan	472-478
Kuwait Dinar KD	0.633-0.639	0.2732-0.2735	Netherlands	5.39½-5.44½
Luxembourg Frc.	80.20-80.30	34.24-34.26	Norway	12.52-12.62
Malaysia Dollar	5.1775-5.2100	2.2250-2.2350	Portugal	129-139
New Zealand Dlr	2.4745-2.4795	1.0585-1.0595	Spain	192¾-202
Saudi Arab. Riyal	7.74-7.80	3.3300-3.3330	Sweden	10.67-10.77
Singapore Dollar	4.80-4.83	2.0625-2.0725	Switzerland	4.49-4.54
Sth African Rand	1.8015-1.8025	0.7685-0.7690	United States	2.31½-2.33½
U.A.E. Dirham	8.54-8.60	3.6710-3.6750	Yugoslavia	83-87

Rate given for Argentina is free rate. * Selling rate.

FT LONDON INTERBANK FIXING (11.00 a.m. FEBRUARY 6)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 1/2	offer 17 5/8	bid 16 15/16	offer 17 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Feb. 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14¼-14½	17-17¼	18-19	9[illegible]-9¼	3-3½	9-9⅛	10½-10⅝	15-17	12-12½	8-8½
7 days' notice	14¼-14½	17⅛-17⅜	18-19	9[illegible]-9¼	5¾-4¼	9[illegible]-9[illegible]	10½-10⅝	17-19	11½-12	8⅛-8⅜
Month	14-14¼	17⅜-17[illegible]	17¾-18¼	9[illegible]-9[illegible]	6-6¼	9⅝-9¾	10[illegible]-10½	17¾-19¼	12⅛-12¼	8[illegible]-8[illegible]
Three months	13⅝-13¾	17⅛-17[illegible]	17¼-17[illegible]	9½-9⅝	6[illegible]-6[illegible]	9[illegible]-10[illegible]	10⅝-10[illegible]	19-20	12⅝-12¾	8[illegible]-8[illegible]
Six months	12[illegible]-12[illegible]	16[illegible]-17[illegible]	16¼-16[illegible]	9[illegible]-9[illegible]	6½-6⅝	9[illegible]-10[illegible]	11¾-11[illegible]	19¼-20¼	12¾-12⅞	8¼-8½
One Year	12⅝-12[illegible]	15[illegible]-16[illegible]	15½-15[illegible]	9[illegible]-9[illegible]	6[illegible]-6[illegible]	9[illegible]-10[illegible]	12⅝-12⅞	19¼-20¼	12⅞-13	8⅜-8⅝

SDR linked deposits: one-month 13[illegible]-13[illegible] per cent; three-months 13[illegible]-13[illegible] per cent; six-months 13-13⅛ per cent; one year 12¾-13⅛ per cent.

Asian $ (closing rates in Singapore): one-month —— per cent; three-months —— per cent; six-months —— per cent; one year —— per cent. Long-term Eurodollars two years 15½-15¾ per cent; three years 15¼-15½ per cent; four years 14[illegible]-15[illegible] per cent; five years 14¾-15 per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 17.20-17.30 per cent; three-months 17.05-17.15 per cent; six-months 16.40-16.50 per cent; one year 15.60-15.70 per cent.

LONDON MONEY RATES

Feb. 6 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	14-15	14-14¼	—	—	14¼-14½	13½-14	—	—	—
2 days notice	—	—	14-14½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14-14⅛	14⅛-14¼	—	14⅝	14½-14⅝	13¾-13⅞	—	—	—
One month	14[illegible]-13[illegible]	14-14⅛	14	15⅛-15	14⅝	14½-14⅝	13¾-13⅞	12[illegible]	13[illegible]-13[illegible]	14⅝
Two months	13[illegible]-13[illegible]	13[illegible]-13[illegible]	—	14¼-13⅞	14	13¾-13⅞	13-13⅛	12[illegible]	13¼-13[illegible]	13[illegible]
Three months	13¼-13[illegible]	13¼-13⅜	13⅛-13½	13½-13⅜	13⅜	13⅜-13½	12½-12⅝	12⅛	12[illegible]-12⅝	13¼
Six months	12⅞-12[illegible]	12[illegible]-12⅞	12⅝-12¾	13⅛-12¾	13⅛	13½	—	—	11[illegible]	12⅞
Nine months	12⅝-12[illegible]	12⅝-12⅞	—	13⅛-12¾	15	13½	—	—	—	—
One year	12[illegible]-12[illegible]	12½-12¾	12½-12¾	12⅞-12[illegible]	13	13½	—	—	—	—
Two years	—	—	13	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13-13¼ per cent; four years 13⅛-13½ per cent; five years 13⅜-12½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅛ per cent; four-month trade bills 13⅛ per cent.

Approximate selling rate for one-month Treasury bills 12[illegible] per cent; two-months 12[illegible] per cent; three-months 12⅛-12[illegible] per cent. Approximate selling rate for one-month bank bills 13¼ per cent; two-months 13¼-13[illegible] per cent; three-months 12½ per cent; one-month trade bills 14½ per cent; two-months 13⅝ per cent and three-months 13 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15 per cent from February 1, 1981. **Clearing Bank Deposit Rates** for sums at seven days' notice 11½-12 per cent. **Clearing Bank Rates for lending** 14 per cent. **Treasury Bills:** Average tender rates of discount 12.4168 per cent.

CURRENCY RATES

Feb. 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.530133	0.619609
U.S. $	13	1.25839	1.21277
Canadian $	17.11	1.48074	1.45496
Austria Sch.	6¾	18.8260	18.4038
Belgium F.	12	42.6387	41.6889
Danish K.	11	8.17647	7.97680
D'mark	7½	2.65015	2.59896
Guilder	8	2.87988	2.82150
French Fr.	9½	6.11022	5.99107
Lira	16½	1257.28	1231.86
Yen	7¼	253.127	246.519
Norwgn. Kr.	9	6.70898	6.55199
Spanish Pts.	8	105.090	102.928
Swedish Kr.	12	5.70365	5.58019
Swiss Fr.	3½	2.40248	2.35701
Greek Dr'ch.	—	—	61.8269

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hambros Bank	14 %
Allied Irish Bank	14 %	■ Hill, Samuel	§14 %
American Express Bk.	14 %	C. Hoare & Co.	†14 %
Amro Bank	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Keyser Ullmann	14 %
AP Bank Ltd.	14 %	Knowsley & Co. Ltd.	16 %
■ Arbuthnot Latham	14 %	Langris Trust Ltd.	14 %
Associates Cap. Corp.	14 %	Lloyds Bank	14 %
Banco de Bilbao	14 %	Edward Manson & Co.	15 %
BCCI	14 %	Midland Bank	14 %
Bank of Cyprus	14 %	■ Samuel Montagu	14 %
Bank of N.S.W.	14 %	■ Morgan Grenfell	14 %
Banque Belge Ltd.	14 %	National Westminster	14 %
Banque du Rhone et de la Tamise S.A.	14½%	Norwich General Trust	14 %
Barclays Bank	14 %	P. S. Refson & Co.	14 %
Beneficial Trust Ltd.	15 %	Rossminster	14 %
Bremar Holdings Ltd.	15 %	Ryl. Bk. Canada (Ldn.)	14 %
Brit. Bank of Mid. East	14 %	Slavenburg's Bank	14 %
■ Brown Shipley	14 %	E. S. Schwab	14 %
Canada Perm't Trust	15 %	Standard Chartered	‖14 %
Cayzer Ltd.	14 %	Trade Dev. Bank	14 %
Cedar Holdings	14 %	Trustee Savings Bank	14 %
■ Charterhouse Japhet	14 %	Twentieth Century Bk.	14 %
Choulartons	14 %	United Bank of Kuwait	14 %
C. E. Coates	14 %	Whiteaway Laidlaw	14½%
Consolidated Credits	14 %	Williams & Glyn's	14 %
Co-operative Bank	*14 %	Wintrust Secs. Ltd.	14 %
Corinthian Secs.	14 %	Yorkshire Bank	14 %
The Cyprus Popular Bk.	14 %		
Duncan Lawrie	14 %		
Eagil Trust	14 %		
E. T. Trust Limited	14 %		
First Nat. Fin. Corp.	16½%		
First Nat. Secs. Ltd.	16 %		
Robert Fraser	14 %		
Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	¶14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month 11¾%. Short term £4,000/12 months 13.35%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12%, and over £50,000 12½%.
‡ Call deposits £1,000 and over 11½%.
¶ 7-day deposits 12%.
§ Demand deposits 12%.
‖ 21-day deposits over £1,000 13%.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
58	F.P.	5/2	335	285	✻Amer. Comm. Inds.	285	.....	—	—	—	—
$100	F.P.	5/2	£41½	£36½	✻Do. Notes 20%	£36½	.....	Q20%	—	22.8	—
610	F.P.	—	650	600	✻Cramphorn	650	.....	16.5	2.1	3.6	18.8
5¼	F.P.	—	7½	6½	✻Dunton 5p	7½	.....	—	—	—	—
70	F.P.	9/1	100	78	✻Midland Marts	95	−2	b3.75	2.0	5.6	12.7
100	F.P.	23/1	116	97	New Tokyo Inv Tst 50p	110	.....	—	—	—	—
§§	F.P.	—	14	12	✻Parkfield Foundri's	13½	.....	0.88	6.4	9.3	2.4
50	F.P.	21/1	53	47	††Pennine	51	+1	—	—	—	—
81½	F.P.	16/2	106	97	Sonic Sound Audio 10p	97	.....	b4.46	1.9	6.6	9.4
**	F.P.	9/2	80	72	Westpool Inv. Defd.	80	.....	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price £	+ or −
‖	F.P.	14/1	111	100½	Allied London 8½% Cnv. Uns. Ln. 1999	105	+½
¶	F.P.	26/2	107¾	106½	Chester Waterworks 9% Red. Pref. 1985	107½	.....
100p	F.P.	28/1	106½p	102p	Comben 11.375% Cum. Red. Pref.	105p	.....
‖	Nil	12/2	10pm	6½pm	Crystalate 9¾% Cnv. Uns. Ln. '99-2000	8½pm	.....
¶	F.P.	26/2	107¾	106½	East Anglian Water 9% Red. Pref. 1985	107½	.....
¶	F.P.	26/2	107½	106¾	East Worcester 9% Red. Pref. 1985	107½	.....
¶	F.P.	26/2	105	104½	Essex Waterworks 8¾% Red. Prf. 1985	104½	.....
96	£20	27/3	21⅛	20¾	Iceland 14½% 2016	21⅛	−¼
£100	£50	30/4	46	41	Lon. Merchant Secs. 7½% Cv Uns Ln 2000-05	45½	
99	F.P.	23/3	101½	98¾	Mid-Sussex W'rw'ks 14% Red. Deb. 186-88	101½	+¼
‖	F.P.	30/1	121p	107p	Paterson (R.) 11½% Cum. Cnv. Prf.	121p	+1
‖	Nil	13/2	18pm	13pm	Portals 9½% Cnv. 1994-2000	17pm	.....
**	F.P.	21/1	100p	97p	Standard Industrial 11½% Pref	98p	.....

"RIGHTS" OFFERS

Issue Price p‡	Am'unt paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980/81 High	1980/81 Low	Stock	Closing price p	+ or −
30	F.P.	6/2	27/2	38	34½	Benlox	38	+5
115	F.P.	12/1	26/2	142	134	Brotherhood P.	142	.....
45	Nil	18/2	13/3	15pm	8pm	Hampton Trust	15pm	.....
184	F.P.	29/1	13/3	200	188	Johnson, Matthey	200	+3
140	F.P.	19/12	30/1	178½	146	KCA Intnl.	172	+3
$A1.05	55 cts	—	—	75	31	North Kalgurli Mines	31	−2
60	Nil	16/2	27/3	16pm	11pm	Norcros	16pm	+2
25	F.P.	21/1	13/2	26	24	Prestwich Parker	26	.....
320	F.P.	23/1	20/3	368	330	Royal Insurance	357	−3
60	F.P.	9/1	13/2	80	67	Security Centres	80	+2
145	F.P.	19/1	16/2	210	174	Warren Plants	203	.....

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✻ Unlisted Securities Market. ‡‡ London Listing. ‡ Resulting from debt settlement scheme. ‡‡ Units comprising 125 A Ord. & 5 12½% Cum. Pref.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	64.0	68.2xd	+0.9	2.45
Abbey Capital	44.5	47.8		4.11
Abbey General	54.9	58.5xd	+0.1	5.27
Abbey Gilt & F.I. Tst.	106.9	111.5	-0.1	11.75
Abbey Income	32.8	35.1xd		7.36
Abbey W'Wide Bd Tst.	91.9	97.5	+0.5	6.97
Abbey Inv. Tst. Fd.	47.7	51.6	-0.1	4.92
Equitas Prog. Tst.	77.4	83.7	+0.3	4.29

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	[illegible]	93.3		12.86

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	85.7	91.7	-0.2	6.29
Brit. Inds. Fund	76.3	79.5		6.72
Growth & Income	48.7	52.1xd	-0.1	5.18
Elect. & Ind. Dev.	42.4	45.6		5.51
Allied Capital	94.0	100.6	-0.2	4.37
Hambro Fund	127.8	136.7	-0.3	6.33
Hambro Acc. Fund	176.1	188.4	-0.1	4.83
Income Funds				
High Yield Fd.	59.8	64.0xd	-2.6	9.98
High Income	80.0	85.6	+5.6	2.42
A. H. Eq. Inc.	43.2	46.2		7.92
Govt. Secs.	25.5	26.2		11.95
International Funds				
International	32.9	35.2xd	+0.3	2.27
Japan Fund		25.4		0.25
Pacific Fund	64.9	69.5xd	+0.3	1.20
Secs. Of America	69.4	74.3	+1.3	2.15
Specialist Funds				
Smaller Co.'s Fd.	52.8	56.6		4.59
2nd Smlr. Co's Fd.	64.1	68.6		4.37
Recovery Sits.	132.2	141.5	+0.2	5.37
Met. Min. & C'dty.	64.3	68.8	+0.2	5.52
Overseas Earnings	65.3	69.9	-0.1	5.28
Exempt Funds				
Income Exempt	47.8	50.2xd	-0.1	8.47
Far East Exempt	68.7	71.4	+0.3	1.45
Smaller Co. Exempt	82.6	86.7	-0.3	4.61
U.S.A. Exempt	117.5	122.2	+1.9	2.65

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	60.8	65.5		4.16

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-726 4931

Inc. Monthly Fund	145.0	155.0		12.06

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Capital†	32.4	34.6		
Commodity***	86.5	92.7		2.77
(Accumulation)	140.0	149.8		2.77
(10% Withdrawal)	67.5	72.2		2.77
Eastern & Internat'l.†	38.5	41.3		1.00
(6% Withdrawal)	27.1	28.9		1.00
Extra Income	95.6	102.8	-0.4	9.74
(Accumulation)	114.7	122.7	-0.6	9.74
Finance & Property*	26.3	28.3		3.89
Foreign††	127.9	134.7		1.00
Giants	46.0	49.5xd		4.84
(Accumulation)	60.2	64.8xd	-0.2	4.84
Gilt & Fixed	42.3	44.3xd		12.40
(Accumulation)	45.9	48.1xd		12.40
Growth	43.7	47.0xd	-0.2	4.42
(Accumulation)	57.5	61.9xd	-0.3	4.42
High Income	36.1	38.9xd	-0.1	9.86
(Accumulation)	51.3	56.0xd	-0.2	9.86

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	33.8	36.2xd	+0.1	12.36
North American	59.0	63.8	+1.0	2.49
Canadian Exempt*	62.6	67.7		2.64
Canadian Trust	63.1	68.2	+0.8	2.62
Mid Mount High Inc.*	45.9	48.6		9.93
Recovery	58.1	63.5	-0.5	6.77
Gilt Trust	42.3	44.3xd		13.06

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3. 031-226 4931

Cres. Amer. Fd.	38.6	41.6	+0.8	0.90
Cres. Internat'l.	74.7	80.6	+0.5	1.78
Cres. High. Dist.	40.8	44.0	-0.2	11.88
Cres. Reserves	47.9	51.7xd	-0.1	5.56
Cres. Tokyo	31.2	33.6	+0.1	0.93

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	24.2	25.6		10.27

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Feb. 6	225.3	240.3	+7.1	5.49

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	16.8	18.6xd		9.08
Gt. Winchester O'seas	25.1	27.9xd		4.01

Emson & Dudley Tst. Mngmnt. Ltd.
28b Albemarle St., W1. 01-499 5211

Emson Dudley Tst.	84.9	91.3		6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	86.1	90.6	+0.3	4.80

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	32.3	34.8	+0.7	0.82
Amer. Spec. Sits. (z)	24.1	26.0	+0.3	0.92
Gilt + Fixed Int.	24.7	26.1xd	-0.1	12.18
Growth + Income	29.6	31.9	-0.1	7.43
Maximum Int. Eq. Tst.	25.2	27.2		9.39
Special Sits.	37.2	40.0	+0.2	1.96

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l.	35.1	37.7		2.36
Accum. Units	43.5	46.8		2.36
J. Finlay High Income	34.5	37.1		10.17
Finlay Wld. Energy	17.9	19.3	+0.2	1.72
Accum. Units	23.1	24.8	+0.2	1.72
J. Finlay Fd. In. Tst.	37.6	40.4		4.85
Accum. Units	47.6	51.1		4.85

Prices on Feb. 4. Next dealing Jan. 28

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Amer. & Gen.	71.2	76.0	+1.4	0.87
Am. Tnaround	65.8	70.2	+1.4	1.71
Capital Tst.	57.0	60.8	-0.2	5.48
(Accum. Units)	59.4	63.4		5.46
Convertible & Gilt	50.0			
(Accum. Units)	50.0			
Extra Income Trust	46.2	49.4xd	-0.2	12.82
Income Tst.	37.8	40.4		8.32
Int. Growth Fd.	58.6	62.6	+0.8	1.85
(Accum. Units)	62.8	67.1	+0.8	1.85

Friends' Provdt. Trust Mgrs. (a) (b) (c)
Pixham End, Dorking. 0306 5055

Friends Prov. Units	59.5	63.6	-0.2	4.61
Do. Accum.	85.7	91.6	-0.2	4.61

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital Jan. 29	134.8	139.1		5.03
Gross Inc. Jan. 29	77.5	79.9xd		11.89
High Yield Jan. 29	93.2	94		11.06

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16, Finsbury Circus, EC2M 7DJ. 01-628 8131

G.T. Cap. Income	138.2	148.6xd		3.20
Do. Acc.	177.8	191.3xd		3.20
G.T. Inc. Fd. Un.	198.0	212.8	+0.4	8.70
G.T. U.S. & Gen.	190.2	204.5	+6.8	1.80
G.T. Wld. Bd. Fd.	94.3	98.2		6.20

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Australian

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Acmex 50c	37	—	Q2.5c	—	3.4
—	ACM 20c	17	—	—	—	—
—	Argosy Gold NL 25c	14½	—	—	—	—
—	Bond Corp.	152	—	Q7.5c	1.9	2.4
Nov. Apr.	Bougainville I Kina	82	7.3	‡Q5½c	1.0	16.5
—	CRA 50c	240	9.75	†Q15c	2.1	3.1
—	Canada Northwest	19	—	—	—	—
—	Carr Boyd 20c	22	—	—	—	—
—	Central Pacific	300	—	—	—	—
—	Cons. Gold Min. N.L. 50c	35	—	—	—	—
—	Cultus Pacific N.L.	41	—	—	—	—
—	Eagle Corp. 10c	30	—	—	—	—
—	Endeavour 20c	34½	—	—	—	—
June	G. M. Kalgoorlie 25c	355	5.79	†Q13c	ϕ	0.4
—	Great Eastern	13	—	—	—	—
Sept. Feb.	Hampton Areas 10p	230	24.11	t2.5	2.4	1.6
—	Haoma Gold N.L.	112	—	—	—	—
—	Intl. Mining	60	—	—	—	—
—	Kitchener NL 25c	185	—	—	—	—
—	Leichardt Expln.	65	—	—	—	—
—	Meekatharra	360	—	—	—	—
—	Metals Energy	16	—	—	—	2.6
—	Metals Ex. 50c	53	—	¶Q3c	2.9	2.8
—	Metramar Mins. 20cts.	25	—	—	—	—
Oct. Apr.	M.I.M. Hldgs. 50c	198	15.2	‡Q27.6c	1.7	‡
—	Minefields Expl. 25c	16	—	—	—	—
—	Mount Lyell 25c	84	—	†Q15c	1.7	8.8
—	Newmetal 20c	18	—	—	—	—
—	Nickelore N.L.	56	—	—	—	—
June Nov.	North B. Hill 50c	158	19.11	Q18c	3.1	5.7
—	Nth. Kalgurli	60	—	—	—	—
—	Nth. Mining Corp.	96	—	—	—	—
—	N. West Mining N.L.	74	—	—	—	—
May Nov.	Oakbridge 50c	115	27.10	†Q12c	1.1	5.1
—	Oilmin N. L.	150	—	—	—	—
—	Pacific Copper	170	—	—	—	—
—	Pancont'l 25c	525	—	—	—	—
—	Paringa M&Ex.5p	49	—	—	—	—
Apr. Oct.	Peko-Wallsend 50c	415	12.3	†Q17.5c	ϕ	2.1
—	Seltrust A	95	—	—	—	—
—	Southern Pacific	110	—	—	—	—
—	Swan Resources 20c	59	—	—	—	—
—	West Coast 25c	14½	—	—	—	—
Oct. May	Westn. Mining 50c	233	29.9	Q14c	1.6	3.0
—	Westmex	24	—	—	—	—
—	Whim Creek 20c	58	—	—	—	—
—	York Resources	84	—	—	—	—

Tins

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Feb. Apr.	Amal Nigeria 10p	14	—	‡‡6.0	—	—
Apr. Nov.	Ayer Hitam SM1	275	27.10	Q205c	1.0	14.4
Dec. July	Beralt Tin	67	30.6	4.5	3.2	9.6
Jan. July	Berjuntai SM1	270	28.1	Q85c	ϕ	6.3
Feb. Aug.	Geevor	150	16.6	‡3.4	1.9	‡
—	Gold & Base 12½p	8½	10.74	—	—	—
July Jan.	Gopeng Cons.	660xd	26.1	221.0	ϕ	4.5
Dec. Aug.	Hongkong	415	30.6	‡35.97	ϕ	‡
July Sept.	Idris 10p	125xd	26.1	26.0	ϕ	6.9
June	Jantar 12½p	14	2.6	1.5	ϕ	15.3
September	Kamunting SM0.50	98	24.11	‡Q80c	1.0	‡
Oct. Apr.	Killinghall SM1	600	11.8	Q100c	ϕ	3.3
Jan. May	Malay Dredging 10c	114#	14.4	ϕhQ38c	0.9	6.4
—	Pahang	36	27.11	0.44	0.3	1.8
July Jan.	Pengkalen 10p	100xd	26.1	3.5	ϕ	5.0
June Jan.	Petaling SM1	370	8.12	Q180c	ϕ	9.4
Oct. Feb.	South Crofty 10p	20	28.12	‡1.0	ϕ	‡
Jan. Aug.	Sungei Besi SM1	210	8.12	‡Q480c	1.1	‡
—	Supreme Corp. SM1	110	9.74	gQ15½c	ϕ	2.7
Mar. July	Tanjong 15p	117xd	26.1	27.5	ϕ	1.9
Sept. Mar.	Tongkah H. Tin $M1	85	21.5	Q23%	0.4	5.4
Oct. June	Tronoh SM1	400	15.9	‡Q250c	0.7	‡

Copper

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
January	Messina R0.50	185	12.1	Q45c	4.7	13.9

Miscellaneous

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Anglo-Dominion	153	—	—	—	—
—	Barymin	40	—	—	—	—
May	Burma Mines 10p	15	14.4	0.62	1.1	6.0
—	Colby Res. Corp.	250	—	—	—	—
Aug. Feb.	Cons. Murch. 10c	210	30.6	tQ30c	1.8	8.2
—	††Hemerdon 10c	82	—	—	—	—
—	Highwood Res.	160	—	—	—	—
—	Northgate C$1	315	9.77	—	—	—
Jan. July	R.T.Z.	372	10.11	t16.0	3.2	6.1
—	Do.9¼%Cu.Un.Ln.'95-2000	£96	—	Q9½%	—	10.2
—	††SPD Minerals 10p	142	—	—	—	—
—	Sabina Inds. C$1	40	—	—	—	—
—	††SWCM 10p	34	—	—	—	—
—	Tara Expln. $1	480	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ★★ Regional price.
- || No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	40	......
Bertam	12	......
Bdg'wtr. Est. 50p	555	......
Craig & Rose £1	£11¼	......
Fife Forge	41	......
Finlay Pkg. 5p	21	+1
Grnig Ship. £1	£21	......
Higsons Brew.	70	......
Holt (Jos) 25p	360	......
I.O.M. Stm. £1	172	+2
Pearce (C. H.)	685	......
Peel Mills	60	......
Sheff. Refrshmt	95	......
Sindall (Wm.)	130	......

IRISH

Conv. 9% '80/82	£93⅝	......
Nat. 9¾% 84/89	£79½	......
Fin. 13% 97/02	£86¼	......
Alliance Gas	52	......
Arnott	220	−5
Carroll (P.J.)	88	......
Concrete Prods.	90	......
Heiton (Hldgs.)	32	......
Ins. Corp.	405	......
Irish Ropes	40	......
Jacob	38	......
T.M.G.	24	......
Unidare	82	......

OPTIONS

3-month Call Rates

Industrials

A. Brew	7
BOC Intl.	9
B.S.R.	4½
Babcock	11
Barclays Bank	40
Beecham	15
Blue Circle	30
Boots	20
Bowaters	20
B.A.T.	25
Brown (J.)	6½
Burton	10
Cadburys	6
Courtaulds	6
Debenhams	8
Distillers	17
Dunlop	7½
Eagle Star	22
F.N.F.C.	3½
Gen. Accident	30
Gen. Electric	50
Glaxo	22
Grand Met.	14
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Guardian	32
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FINANCIAL TIMES
Monday February 9 1981

Eleven may resign Labour whip next month

BY RICHARD EVANS, LOBBY EDITOR

THE TIMING of the decisive break from the Labour Party by the 11 MPs who have joined the Council for Social Democracy is now likely to be brought forward from May or June because of the pressure of events.

Discussion among the MPs and the two leaders of the council outside Parliament, Mrs. Shirley Williams and Mr. Roy Jenkins, are to start this week on the exact timing for *setting up a new party, and* it is now thought resignations from the Labour whip could come as early as mid-March.

The original intention of a majority of the group had been to stay in the Labour Party until after the local government elections in early May, partly to make it easier for sympathisers to fight Labour seats rather than go independent prematurely, and partly to allow more time to raise funds and set up a country-wide organisation.

But pressures are now *mounting for a much earlier* break. Local constituency Labour parties are holding a series of meetings to discover the intentions of the potential breakaway MPs. The remaining party positions held by members of the council are likely to be relinquished in the next few days.

Mrs. Williams and Mr. Tom Bradley, MP for Leicester East, are both expected to announce their resignations from Labour's national executive committee, its ruling body, once they have concluded consultations with their trade unions.

Mrs. Williams is not expected to attend an important meeting tonight of the organisation sub-committee of the NEC, which is to discuss again the procedure for the mandatory reselection of Labour MPs.

Their resignation will mean that the Left will increase its hold on the NEC. While Mrs. Williams will be replaced by Miss Betty Boothroyd, moderate MP for West Bromwich, Mr. Bradley, a former president of the Transport Salaried Staffs Association, will be succeeded by Mr. Bernard Dix, assistant general secretary of the National Union of Public Employees, who is a Left-winger.

Also expected this week is the announcement of a new campaign within the labour movement to overturn the decision reached at the special Wembley conference two weeks ago on the method for electing the party leader. This follows the disbandment of the Compaign for Labour *Victory because of the sym*pathy of many of its supporters for the embryo breakaway party.

UK UNDER PRESSURE AS EEC TALKS RESUME

Clash likely over fish policy

BY DAVID WHITE IN PARIS AND JOHN WYLES IN BRUSSELS

RELATIONS between Britain and her two major EEC partners are likely to be strained today as talks resume on butter imports into the Community and a common fisheries policy.

This follows a decision in Paris at the end of last week in which France and West Germany decided to press together for new concessions from Britain on a fisheries policy.

Both issues have led to vexed and long-standing disagreements in Brussels, but they have tended to cast France as the isolated villain at meetings on farming policy, while Britain has remained the partner under pressure for her opposition to agreement between the partners on fishing.

Britain's position may now b particularly exposed following the meeting between Chancellor Helmut Schmidt of West Germany and President Giscard d'Estaing of France in Paris last week at which the two leaders agreed on a Franco-German approach to draw concessions from Mr. Peter Walker, the UK Minister of Agriculture, at the two day meeting of EEC fisheries Ministers which starts today in Brussels.

M. CLAUDE VILLAIN, Director-General of Agriculture at the EEC Commission claimed in an interview that some Commissioners want to destroy the Common Agricultural Policy. Page 2

Paris and Bonn reminded the British Government of the commitment made last year by EEC member states to settle a fisheries policy by the end of last December.

Since then, the fishing industries in France, West Germany, Denmark and the UK, have considerably increased pressure to reach agreement. However, this has proved elusive because of the difficulty of reconciling conflicting interests among these industries.

To British opinion the issue of a New Zealand butter sales agreement is irritatingly reminscent of the "sheep war," with the difference that this time France's concern is not with produce reaching its own market but simply with Britain's imports.

New Zealand's arrangements to keep exporting butter, in decreasing quantities, to Britain ran out at the new year. In the interim, the Community has agreed to let sales continue at last year's rate, first for January, then for February—a concession that Paris will not accept indefinitely without a cut in volume. Britain is holding out for a three-year agreement. France will not go beyond one year.

There are three basic considerations to be taken into account from the French point of view. First, there is loyalty to the principle of Community preference, for which the French are used to being the most ardent crusaders.

Second, there is the question of timing. With the whole Common Agricultural Policy coming up for review later this year—as far as the French are concerned its workings rather than its basic tenets—France argues that New Zealand's farmers cannot be given long-term guarantees before Europe's own farmers know where their future lies.

Third, the whole issue of dairy production levels and each country's share of them is one over which France is preparing to fight at the time of the review. It is not ready to accept rigid measures to freeze output at current levels throughout the Community.

Bonn may ask France to curb borrowings

By David Marsh and John Makinson

THE FRENCH monetary authorities may be asked today by the Bundesbank, the West German central bank, to put a brake on France's heavy foreign borrowings, which have been adding to upward pressure on the French franc against the Deutsche mark within the European Monetary System.

The D-mark has been under unprecedented pressure on the foreign exchanges during the last fortnight, mainly against the dollar but also within the EMS, where the Belgian franc and the lira have also weakened sharply.

Exploratory talks on ways of quelling the unrest are likely to take place today and tomorrow at the monthly meeting of leading central bankers at the Bank for International Settlements in Basle.

Since the main pressure on European currencies stems from high U.S. interest rates, the U.S. Federal Reserve Board may be asked to explain at the meeting how long its monetary squeeze is likely to last.

It is unlikely, however, that the talks will result in any dramatic initiatives to calm the foreign exchanges.

Both the Bundesbank and the Banque de France were forced into intervention last week, especially on Friday, to prevent the French franc from rising beyond its permitted EMS limits against the D-Mark.

The French franc, while weak against the dollar and sterling, has for months been strong against other Continental currencies. Apart from continued flows of oil money into Paris, some of which is connected with down-payments for arms deals, the franc is also being buoyed by large-scale borrowing abroad by French public sector bodies.

This borrowing last year helped France to register a gain of about $6bn in its foreign exchange reserves, in spite of a current account deficit of about $7bn to $8bn.

THE LEX COLUMN

Responding to the Scott challenge

The Scott report on the value of pensions is generating some heat in the City, and there is a very good commercial reason *why. The introduction of infla*tion-proofed pensions in the private sector — probably through some form of index-linked gilt-edged stock—would almost certainly reduce the overall level of turnover in the securities markets. That would be bad news for stockbrokers, and would also reduce the job prospects for fund managers.

But aside from the vested interest of the City in the present arrangements, is it right to argue that the introduction of such index-linked instruments would knock the value of other securities for six? Would no-one buy equities if a guaranteed return could be provided elsewhere? That is like saying no-one would buy shares if there were no inflation. Provided the price of equities allows for their higher risk, they will find buyers.

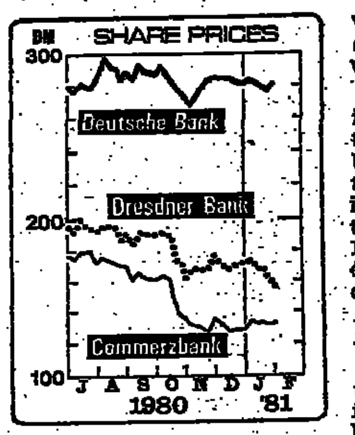
Over the last 50 years, dividend growth has more or less kept pace with inflation, and dividend yields have averaged about 5½ per cent. That yield has two components: the real return demanded from fixed interest securities plus the extra margin required for the risk of holding an equity. Those who argue that the attractions of an indexed gilt would be such that it need produce a real return of no more than zero can hardly say in the same breath that equities — currently yielding just over 6 per cent on the basis of the All-Share Index—would become tremendously vulnerable.

Moreover, the main flow of pension fund investment funds would continue to be directed in traditional ways. The value of index linking would come when the employee retired, by making it possible to buy on his behalf a type of inflation-proofed annuity.

If it has the interests of pensioners anywhere near its heart the City should respond positively to the Scott report, and rise to its challenge that "pensions over a high proportion of the private sector are not good enough."

Currency translation

The path to an international standard on accounting for currency fluctuations is proving stony and full of delay. While the UK's proposed standard, unveiled as Exposure Draft 27 in October, has been well received, the comparable document in the U.S. has had a much rougher passage. The U.S. Financial Accounting Standards Board is now working hard on a replacement draft, which will not be ready until the summer at the earliest. So it seems inevitable that FAS 8, which has been undermined by fluctuations of the U.S. dollar and high rates of U.S. inflation, will remain in force through the current calendar year.



The proposed replacement for FAS 8 paralleled UK practice in charging to profits only those exchange differences which reflect cash movements, and accounting for other differences by adjusting reserves directly. But there seem to have been two main stumbling blocks in the U.S. proposals. The less important was an element of ambiguity over when companies could go on denominating their foreign assets in U.S. currency. More fundamentally, the proposals did not deal with the revaluation of assets held in countries suffering hyper-inflation. The substantial number of important U.S. companies with presences in South America were particularly vocal in the public hearings on this point, since under hyper-inflation investments in foreign countries could rapidly become valueless in the consolidated accounts, if expressed at historical cost but translated at current rates.

One answer (common practice in the UK) would be to allow asset revaluation. But if revaluations become acceptable in the South American context there seems no theoretical reason why they should not be so in the U.S. as well. As U.S. inflation rises the embarrassment of the FASB in establishing a threshold for "hyperinflation" becomes more acute. But the FASB is likely to want to construct the replacement draft without a wholesale endorsement of revaluation, since this would spark further delaying controversy and be seized on, no doubt, by that sizeable minority of U.S. companies which thinks exclusively in dollar terms and is quite happy with FAS 8 as it stands.

Meanwhile, since the changes in ED27 are relatively minor in terms of British practice, the UK can afford to wait for the time being. But if it looks as if implementation of changes in the U.S. will be delayed beyond 1982, the UK Accounting Standards Committee may well decide to go ahead on its own.

Dresdner Bank

It could only happen in Germany. Before even reporting its 1980 figures, Dresdner Bank has announced a cut in its dividend coupled with a one-for-eight rights issue. Both moves had been foreshadowed and the loyalty of German shareholders should guarantee the success of this audacious exercise.

For Dresdner, the need to raise new equity capital had become pressing. German banks generally tap their shareholders for funds every year or two, but Dresdner's present rights issue is its first since 1976 when the bank made a one-for-six offering at DM 150. Since then the bank's balance sheet has swollen by almost 60 per cent but, following its much-publicised problems, the shares have fallen sharply, and the offer price of DM 125 is actually below the 1976 issue price.

German banks must adhere to strict capital ratios. These may be extended to foreign subsidiaries which, in Dresdner's case, are not consolidated. With the weakening of its domestic currency boosting the D-Mark value of its foreign currency loan book, Dresdner is presumably anxious to cater for this contingency.

Under the circumstances, Dresdner's cash call looks fairly modest and the Frankfurt market had certainly been expecting a larger issue. With a dividend cut in the pipeline, and the new money looking cheap compared with a debt alternative, it is clearly aiming not to ruffle the feathers of its shareholders any further.

In the past, the ease with which new equity capital could be obtained may have spurred the German banks on their expanionist course. Dresdner's capital position will be strengthened not only by the rights issue but also by the recent disposal of stakes in Kaufhof and Metallgesellschaft. But, chastened by its recent experience, the bank will almost certainly use the extra muscle to improve the structure of its balance sheet rather than to expand it.

Over 30% of January truck sales imported

By Kenneth Gooding, Motor Industry Correspondent

COMMERCIAL VEHICLE sales last month were the lowest for any January since 1970, when records began to be kept in their current form.

Imports represented 30.63 per cent of the January total, close to the record 31.5 per cent for any month. This reflected the relatively better position of overseas manufacturers in the severe recession, created by the high value of the pound.

The Japanese had a particular impact because five of the import companies actually sold more vehicles—mainly large-capacity vans of the Transit type—than in January last year, when they were starved of stock.

The market as a whole, however, dropped by 31.74 per cent compared with January, 1980, to 16,443 vehicles, according to the Society of Motor Manufacturers and Traders' statistics.

Worst-hit were heavy vehicles of over 3.5 tonnes. Their January sales were 40 per cent down on the corresponding month last year, falling from 6,162 to 3,688.

The sales statistics provide the stark background to recent events in the UK's heavy-truck manufacturing sector.

Short-time working is widespread. Seddon Atkinson last week said it would cut manufacturing capacity by half and would reduce the workforce by 44 per cent. Leyland Vehicles is calling for 2,600 redundancies. ERF has abandoned its expansion programme after reporting losses of £2.5m for the half-year which ended in October.

The January performance confirms the SMMT's expectations that total UK commercial vehicle sales will fall by a further 8 per cent this year, to about 240,000.

Concern over plans for Talbot

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

PEUGEOT SA will give the Government details today of its plans for Talbot UK.

The statement comes amid increasing speculation that Talbot UK car manufacturing will be closed.

Senior Peugot executives are to meet Sir Keith Joseph, the Industry Secretary, and Mr. George Younger, Secretary of State for Scotland, in London.

For several months there has been growing concern in Britain that Peugeot might close its car plant at Linwood in Scotland, where 4,700 are employed.

More recently, after it became clear that Talbot UK was having heavy losses and that the Peugeot parent group was in the red by £140m last year, there have been rumours that all the British manufacturing plants will be permanently shut down.

At stake are 17,000 jobs in Talbot UK and at least 20,000 among the British component-suppliers.

The Government has pumped £69m of aid into Talbot UK, formerly Chrysler UK, since a financial rescue was mounted in 1976. But its contributions towards covering losses ended in 1979.

It was made clear last month that the Government was ready to give maximum financial aid available under existing guidelines as an inducement to Peugeot to introduce a new car, codenamed C15, at Linwood.

This aid could be about £40m, a third of the estimated cost of modernising and retooling the plant.

The Scottish Office believes that the chance of future investment at Linwood is no better than 50 per cent, however. Chances will not have been improved by the Government's decision to encourage, with substantial aid, Nissan, the Japanese group, to set up a 200,000-a-year Datsun car plant in Britain by 1984.

At the time it acquired Talbot in 1978 Peugeot undertakings to the Government included that it would "continue employment at all Chrysler UK's facilities, including the principal plants at Ryton, Stoke (both near Coventry) Luton, Dunstable and Linwood."

There was an important rider —this would be done "to the extent consistent with prevailing economic conditions."

Peugeot planned for Talbot UK to break even in 1980. It reported losses of £19.6m at the half-year stage. The deficit could easily have more than doubled in the second half. The 1979 loss was £41m.

The company has shed about a quarter of its work force, 5,000, in just over a year in an attempt to bring manpower in line with reduced output.

Demand has been particularly hit by difficulties with the contract to supply about £150m of car kits a year to Iran.

Recession 'to hit bottom soon'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MOST BRITISH forecasters believe that the recession will touch bottom over the next six to nine months but that the upturn will be sluggish and unemployment will continue to rise.

A survey of leading private sector and official forecasting bodies indicates broad agreement about the direction of the economy though a wide range of views about the timing of the turning point and the strength of the upturn.

The general view is gloomier about output and unemployment and more optimistic about inflation than when a similar comparison was published last September.

Total output, measured by real Gross Domestic Product, is projected to fall by about 1.6 per cent this year compared with last year and to rise by 1.7 per cent next year. This would leave output much lower than at the beginning of the recession.

The extent of the recovery is expected to be limited by weak investment, a deteriorating foreign trade balance and a small decline in public spending.

Consequently, adult unemployment is projected to rise from about 2.2m now to 2.6m by the end of this year and to 2.75m by the end of 1982.

On the brighter side, the annual inflation rate is expected to fall to just over 10 per cent by the end of this year, though some forecasters are more optimistic.

But most economists expect only a small further decline in the inflation rate in 1982 and some project a slight increase in the rate as the economy recovers.

There is some consolation for the Government in the projections for public sector borrowing. After the overshoot in the current financial year to more than £11½bn, the total is expected to drop to £10¼bn in 1981-82 (assuming present policies and indexation of income tax allowances and specific duties in line with past inflation).

Details, Page 5

Weather

UK TODAY

MAINLY DRY, some showers.

London, Central S. and E. England, Channel Is.
Mainly dry, sunny periods developing. Max. 7C (45F).

Rest of England, Wales, E. Scotland
Scattered showers, sunny intervals. Max. 7C (45F).

S.W. Scotland, Glasgow and Central Highlands
Wintry showers, sunny periods, cloudy later. Max 6C (43F).

Rest of Scotland and N. Ireland
Showers, sunny intervals, rain later. Max. 7C (45F).

Outlook: Changeable, rather cold.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	15	59	Lisbon	S	13	55
Algiers	S	17	63	Locarno	S	8	46
Amsdm.	C	8	46	London	R	11	52
Athens	S	13	55	L. Ang.†	C	13	55
Bahrain	S	25	77	Luxor	S	19	66
Barclna.	S	15	59	Madrid	S	12	54
Beirut	F	12	54	Majorca	S	15	59
Belfast	C	7	45	Malaga	S	18	64
Belgrd.	F	9	48	Malta	S	15	59
Berlin	C	9	48	M'chstr	R	7	45
Biarritz	S	12	54	Melbne.	F	33	91
Bmghm.	R	7	45	Miami†	S	20	68
Blackpl.	C	8	46	Milan	S	8	46
Bordx.	C	11	52	Montrl.†	C	−1	30
Boulgn.	C	7	45	Moscow	C	1	34
Brussels	C	9	48	Munich	C	7	45
Budpst.	F	10	50	Nwcstl.	C	7	45
Cairo	C	15	59	N York†	R	2	36
Cas'b'ca	S	16	61	Nice	C	13	55
Cape T.	S	31	88	Nicosia	C	13	55
Chicg.†	S	−15	5	Oporto	S	18	64
Cologne	C	9	48	Oslo	R	6	43
Cpnhgn.	S	7	45	Paris	C	10	50
Corfu	S	5	41	Perth	F	23	73
Dublin	R	5	41	Prague	F	7	45
Dbrvnk.	S	14	57	Rykjvk.	Sn	−5	23
Ednbgh.	C	7	45	Rhodes	S	16	61
Faro	S	16	61	Rome	S	14	57
Florence	C	7	45	Salzbrg.	C	7	45
Frankft.	C	9	48	S'ciscot	C	9	48
Funchal	S	17	63	Singapr.	C	30	86
Geneve	Fg	3	37	Stckhm.	C	4	39
Gibrltr.	S	17	63	Strasbg.	C	9	48
Gl'sg'w	C	6	43	Tangier	S	16	61
G'rnsey	C	9	48	Tenerife	S	20	68
Helsinki	Sn	−1	30	Tokyo	S	10	50
H. Kong	S	21	70	T'r'ntot	F	−5	23
Innsbrk.	C	2	36	Tunis	S	16	61
Invrnss.	R	3	37	Valencia	S	16	61
I.o.Man	C	8	46	Venice	S	7	45
Istanbul	S	9	48	Vienna	F	11	52
Jersey	C	9	48	Warsaw	C	8	46
L. Plms.	S	19	66	Zurich	C	7	45

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Continued from Page 1

BSC

sive competition from the State sector and high energy costs.

Publication of the Iron and Steel Bill will closely follow Sir Keith's statement. In spite of Tory back-bench protests, it should have little difficulty in Parliament because of broad support for the MacGregor plan from many Labour MPs.

The Government estimated three months ago that it would need to write off loans of £3.7bn to bring BSC's capital structure into line with the enormous changes in the steel industry since the capital investment programme was launched in the early 1970s.

The Bill will also make provision for further trading losses by the corporation before profitability is restored. But in view of the continuing uncertainties over the steel trading situation, it will be difficult to put an accurate figure on the losses.

Spending targets

Continued from Page 1

have not cut their spending. Councils which have already achieved substantial expenditure, manpower and service cuts regard the target as overwhelmingly large and unrealistic.

A county like Wiltshire, for example, will be more than £5m over its volume target although it is not proposing any rate increase at all and is more than £3m under its GRE figure.

Hampshire has stayed under every Government target and has responded with further cuts even when it was well under target and need not have taken any action. This year the county spending plans will still be under the GRE but will be £10m over the volume target. Kent, also under its GRE, will be even further over the volume target.

Mr. Heseltine has said he is no longer concerned with the GRE figures but with the volume targets. No council which meets the volume reductions will be penalised even if it overspends its GRE. Penalties will be imposed selectively on councils which miss the volume target even if they plan to spend less than the GRE.

This threat, together with the possibility of grant entitlements being reduced by clawback because of an expected over-claim of grants, is causing nearly all councils to increase their budget and rate predictions to compensate for the loss to come. The only exceptions seem to be councils with more than enough in balances to meet any shortfall.

Counties listed by the Local Government Chronicle as planning a rate increase under 10 per cent include Wiltshire (zero), Cheshire (3 per cent), Leicestershire (4.1 per cent), Isle of Wight (5.1 per cent), Somerset (6.4 per cent), Oxfordshire (8.3), Hertfordshire (9.1), Dorset (9.2), Cambridgeshire (9.4), Cornwall (9.7) and Surrey (9.8).

Counties over 10 per cent include Northumberland (11.6), North Yorkshire (11.8), East Sussex (12.1), Kent (12.2), Northamptonshire (12.4), Derbyshire (13.3), Gloucestershire (18.2).

Lancashire is recommending a precept increase of 9 per cent and Cumbria 16 per cent.

The Government is known to be getting anxious about the level of the county rises. It feels they are too high considering the amount of extra money the counties are receiving this year from Government.

Because of the wide variation in the effect of the block grant mechanism on district council finances ratepayers face rate rises between zero to 75 per cent or more. Southend-on-Sea hopes to keep its rate steady because it has gained under block grant.

North-East Derbyshire, on the other hand, has announced a rise of 76.9 per cent. Sheffield's increase of 38 per cent is likely to be repeated by many metropolitan areas.

Inner London ratepayers face average increases of 50 per cent and in outer London the average rise is likely to be between 30 and 35 per cent.